

THEODORE SORESENSEN ON  
ARTHUR SCHLESINGER, JR.

PAUL STARR ON HOW AND  
WHY LIBERALISM WORKS

PLUS: OUR VERY OWN  
HILLARY DEBATE

# THE AMERICAN PROSPECT

LIBERAL INTELLIGENCE

## FATAL ATTRACTION

When  
**ROBERT  
RUBIN** talks,  
Democrats  
listen—  
at their peril.

BY ROBERT  
KUTTNER

APRIL 2007

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# THE AMERICAN PROSPECT

LIBERAL INTELLIGENCE

VOLUME 18 • NUMBER 4 APRIL 2007

*"The mainstream of Roosevelt's own politics was the determination to rescue public policy ... from what he regarded as the debasing consequences of business domination."*

— ARTHUR M. SCHLESINGER JR.

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*Cover illustration by John Ritter*

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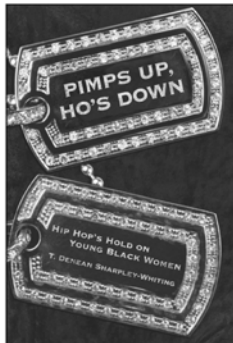
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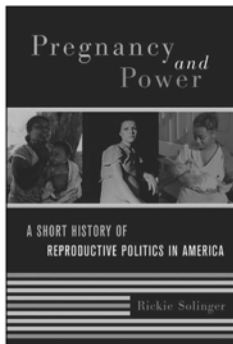


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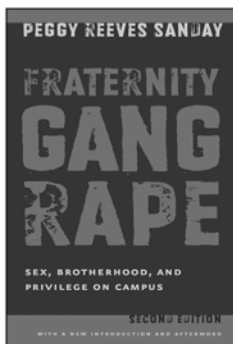


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LIBERAL INTELLIGENCE: [www.prospect.org/enewsletter](http://www.prospect.org/enewsletter)

WHEN ROBERT KUTTNER, ROBERT REICH, AND PAUL STARR FIRST CONCEIVED the idea for a liberal magazine that was to become *The American Prospect*, one of the first people they consulted was Arthur Schlesinger. It was an obvious choice: As a historian, activist, and writer on current affairs, Schlesinger had been an intellectual beacon for American liberals since the 1940s. He agreed to become one of the magazine's founding sponsors, wrote a major article for our inaugural issue, and as recently as 2004, contributed an election postmortem predicting that hubris and incompetence would be the Republicans' undoing.

We're fortunate that Theodore Sorensen, Schlesinger's friend and colleague from the Kennedy White House, has contributed this appreciation; readers can find a longer version on our Web site, [www.prospect.org/schlesinger](http://www.prospect.org/schlesinger). Like his great friend John Kenneth Galbraith, who died last year, Schlesinger played a central role in defining modern American liberalism—and inspiring those of us who turn out *The American Prospect*.

## Arthur M. Schlesinger Jr., 1917–2007

BY THEODORE C. SORENSEN

EVER SINCE 1965, WHEN OUR TWO books on JFK were rivals for public attention, some journalistic would-be troublemakers have asked me whether I resented Arthur Schlesinger as a competitor. Competitor? It could be as easily asked whether I regarded tennis champion Arthur Ashe as a competitor! Arthur Schlesinger was an intellectual giant—liberal champion, prodigious writer, and leading scholar—while I was still figuratively in knee pants.

We first met early in the summer of 1956 when, at Senator John F. Kennedy's direction, I traveled to Arthur's summer home at Wellfleet, on Cape Cod, to discuss with him—a close adviser to Adlai Stevenson, the likely repeat presidential nominee of the Democratic Party that year—the possibility of Kennedy's being selected as Stevenson's running mate at the convention. Arthur generously offered to drive me back to the Cape Cod airport, but, to his embarrassment, ran out of gas en route. I never let him forget that—but, until February 28, 2007, he never “ran out of gas” again.

Even before 1956 and 1960, I had been one of the millions of Arthur's admiring readers for longer than I can remember. He was one of the founders of the anti-communist liberal organization Americans for Democratic Action, a beleaguered branch of which my brothers and I founded

in Lincoln, Nebraska, some 60 years ago.

Over the years, presidents have appointed military experts and advisers to their White House staffs, as well as lawyers, economists, environmentalists, and professional politicians. Kennedy was the first to appoint a full-time historian—and what better historian for that unique position than Arthur Schlesinger, the author of outstanding books about Presidents Andrew Jackson and Franklin D. Roosevelt, among others, and a scholar of American politics since its earliest days. He provided JFK with both advice and information stemming from his knowledge of the president's predecessors, especially Roosevelt. How many “fireside chats” did FDR actually give? How active was he in the mid-term congressional elections? How did he balance as well as encourage the diverse voices among his advisers? Arthur was invaluable.

He also doubled as a skilled presidential speechwriter, bringing to mind (in the delightful anecdote JFK and I undoubtedly learned from him) Jefferson's use of White House gardeners who could double as waiters at state dinners.

Arthur played many roles in the Kenne-

dy White House: a counselor who advised, in vain, against the Bay of Pigs (which proved to be Kennedy's first and worst fiasco); a bridge to the American intellectual and academic community, which had largely been ignored since FDR, as well as to the rising young leaders on the left in the Third World and Europe, who have largely been ignored by presidents since Kennedy. Arthur had another unusual White House post as movie critic and impresario—*From Russia With Love* was his selection the night before President Kennedy left for Texas in November 1963.

The loss of Arthur's distinct liberal voice is one this nation can ill afford, particularly at this time, when a deeply flawed, feckless, conservative administration has led our nation into a senseless, hopeless war; bifurcated our economy between the super-rich and the super-poor; neglected our environment; and trampled on the very civil liberties that most distinguish us from our adversaries.

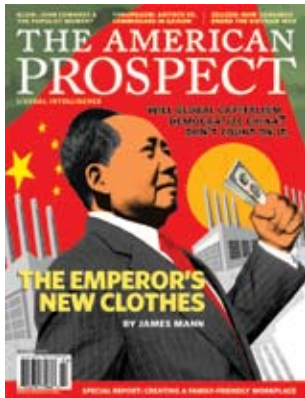
To the end, Arthur was bravely writing, opining, and enjoying life, despite the multiple illnesses that he overcame with his usual good humor. It is not, however, the end: His writings, his sayings, and his brilliant contributions to political and historical thought will be remembered forever.

Arthur was a Unitarian—noted, when he asked my brother Tom during the Kennedy White House years, “If you Sorensens are Unitarians, what are all these quotations from the Bible doing in the speech drafts?” Unitarians generally do not believe in the hereafter, but whatever heavenly mansions exist, I have no doubt that

Arthur is already ensconced in his office writing a new work, commissioned by the Almighty, entitled *Reasonable Limits on Celestial Power*. **TAP**



*Theodore C. Sorensen, special counsel to President Kennedy, was awarded the Schlesinger History Prize in 2002 by Roosevelt University and the Roosevelt Institute.*



## Dispatches Dispatched

I AM DISAPPOINTED THAT you have chosen to discontinue the “Dispatches” section. I am sure I am not the only person who does much of her magazine reading in transit and in any case does not like to read from a computer monitor. I will miss those pithy but timely articles. Please reconsider.

MALVINA NATHANSON  
New York, NY

IN YOUR MARCH ISSUE you announce the demise of the “Dispatches” section, as it moves to your Web site. Doesn’t it occur to you that there are households not hooked up to the Internet, for whom Web sites are immaterial? The end of printed versions of newspapers and magazines is predicted. What better way of bringing them to pass than to give subscribers more reasons not to renew? Your most ardent readers are not chopped liver, so please don’t treat them that way.

NANCY RIGGAN  
Orange City, IA

**The executive editor responds:** You’re absolutely not chopped liver, but moving Dispatches to the Web

enables us to run more in-depth feature stories.

## Gray China

I KEPT WAITING FOR THE creative new China policy James Mann [“America’s China Fantasy,” March 2007] recommends instead of our current one, but alas, it never materialized. Unfortunately, there are not many alternatives. Both the simplistic “containment” policies advocated on the right, and the routine denunciations of Chinese human-rights violations, promoted on the left, show little promise and would mostly just irritate the Chinese. China will likely continue to grow and may eventually be the biggest economy in the international system, with all that entails. The choice for the United States is not one of stopping that process, but how to encourage China’s more admirable behavior while discouraging the less admirable.

Mann displays some very American assumptions in his analysis. He writes as if there are two kinds of countries in the world: good democratic countries and bad dictatorships. But with China it is more appropriate to think in terms of shades of gray or degrees or types of authoritarianism, not black and white. China has changed tremendously since the days of Mao, and is still changing at a rapid pace. After 60 years, Japanese democracy is very different from democracies in the West. The Chinese too will have a unique system because their culture is unique. They will be somewhere on a continuum

between what they have now and what the West has.

Second, Mann is disappointed that China still hasn’t democratized after 30 years of change. But democracy seldom develops in just three decades. The Americans are always in a hurry, but it would be closer to the mark to think in terms of a hundred years to democratize China. Like the Bush administration, Mann seems to forget that it was only recently that we got full democracy and equal rights in Alabama, after a

struggle of several hundred years. Whether “democratic” or not, the Chinese will have to improve the information flow if they want to become a developed country. Let’s give them some time, especially since we don’t really have a choice.

WAYNE BERT  
Arlington, VA

*Letters to the editor should be sent to [letters@prospect.org](mailto:letters@prospect.org) or mailed to The Editors, The American Prospect, 2000 L St., NW, Suite 717, Washington, D.C. 20036.*

## FROM THE EXECUTIVE EDITOR

FOR DEMOCRATIC POLITICOS, PRESIDENTIAL CANDIDATES most especially, all roads lead to Robert Rubin. The former Clinton treasury secretary bestrides the summit of power and wisdom, commending those Democrats he considers fiscally sound to Wall Street’s mega-donors, while commending his own Wall Street perspectives—free trade and balanced budgets are his holies of holies—to the Democrats. Problem is, as our founding co-editor Robert Kuttner documents in our cover story, what Rubin is selling is neither good politics nor good economics, nor even very disinterested. How, Kuttner wonders, has an Eisenhower Republican become the Democrats’ economic guru?

Elsewhere in this issue, Barry C. Lynn describes how giant corporate institutions such as Wal-Mart have all but banished the free market from much of our economy—a staggering, epochal transformation that has, however, eluded the attention of economists, whose theories obstruct their observation of the actual world. (In a separate piece, I draw parallels between Wal-Mart’s attempts to expand into Northern cities and a prominent earlier episode in American history, the Civil War.) Our other founding co-editor, Paul Starr, argues that two defining commitments of liberalism—to broadly shared prosperity and to alliances with like-minded democracies—have always made America a stronger nation. Tara McKelvey reports on some mob lawyers who have kept the government from redeploying soldiers to Iraq, even as the efforts of civil liberties attorneys have fallen flat. Garance Franke-Ruta, Sam Rosenfeld, and Matthew Yglesias debate the all-important Hillary question. And Theodore Sorensen remembers his Kennedy-White-House colleague, the great historian Arthur Schlesinger Jr., whose commitment to renewing and deepening the liberal project has been a constant inspiration to those of us who produce this magazine.

— HAROLD MEYERSON



# Up Front



## FAT CHANCE

**M**IKE HUCKABEE, THE GENIAL FORMER GOVERNOR of Arkansas, is enjoying an improbable moment as a favorite dark-horse GOP presidential candidate among liberals. (He wants to raise taxes to help the poor! He supports arts education in the schools!) But he faces a few nettlesome hurdles en route to winning the actual GOP nod: his utter lack of funding, party support, name recognition, and voter enthusiasm.

But all this pales before another weighty issue: the fraught subject of personal poundage. Huckabee tipped the scales at more than 280 pounds just a few years ago; since which, he's lost more than 100 of those, penned a diet book, and become a born-again exerciser and weight-loss advocate. But if there's one thing Americans hate, it's being lectured about their weight.

Americans are fat, and red-state Americans are the fattest of all. Alas for Huckabee: The population that most enthusiastically supports state-led action on obesity is liberal Democrats, according to a public-opinion study by social scientists J. Eric Oliver and Taeku Lee. "Most obesity policies do not enjoy broad support," they concluded. "Most Americans do not see either the public's or their own weight as a serious health problem." Which may pose a problem for the "recovering foodaholic" who told *Newsweek*, "We should make it the cultural norm to practice healthy habits."

Huckabee may be running for the Daddy Party banner, but to his party's base, he'll look like just another soy-sipping, tofu-tasting Nanny State nag.

—GARANCE FRANKE-RUTA

## VOICE OF "REASONABLE"

The verdict in the Scooter Libby trial inspired, almost instantly, a slew of right-wing outfits and pundits to publish calls for a presidential pardon. *The Wall Street Journal's* editorialists and *The Washington Post's* Charles Krauthammer offered worthy entries, but for swiftness and audacity, the *National Review* surely took the prize. Within just a few hours of the verdict's announcement, it editorialized: "Reasonable people can conclude that it was only Scooter Libby's imperfect memory—not willful deception—that gave rise to the charges of lying under oath and obstruction of justice."

Reasonable people, perhaps—just not the jury, members of which explained that it struck them as unlikely that Libby could have, as he'd claimed under oath, completely forgotten the *nine* (9) (IX) previous conversations he'd had about Valerie Plame when he allegedly learned of her identity from Tim Russert, in 2003.

## OBEY WON

Hill reporters know that one Democratic House leader who draws little public attention but stands out as one of the caucus's most aggressive and impressively ruthless parliamentarians, with an iron commitment to caucus discipline, is Wisconsin liberal David Obey, chair-

man of the Appropriations Committee. During a recent radio interview, he related an anecdote about crafting the Iraq spending bill that offered a pleasing glimpse into his approach to message discipline: "I purposely gave several members of our caucus wrong information so that when it appeared in print, I could see who the hell was leaking and who wasn't ... And so today I know the names of two members who will not be invited to further meetings."

All hail a Democrat who knows how to play the game.

## CONTRACT KILLINGS

"OMB Circular A-76" isn't exactly a household term, but this late into the Bush era, maybe it should be. It's the process through which the White House's "competitive sourcing" initiative has served to put thousands of government jobs into bidding competition with private contractors. This is not in itself, however, a guarantee of quality control. Consider the case of Florida-based IAP Worldwide Services, one such contractor. IAP's CEO came to the company after a tenure at Halliburton subsidiary KBR, during which he had to appear at a congressional hearing to discuss overcharges for Iraq reconstruction contracts. IAP itself came under congressional scrutiny for its involvement

ERIC PALMA

THE QUESTION:  
WHAT'S A DEM TICKET  
YOU COULD VOTE FOR?

(Posed to Conservative  
Political Action Conference  
Attendees)

“Joe Lieberman and John Murtha.  
Lieberman is conservative on  
foreign policy and  
Murtha is conserva-  
tive on social policy.”  
—Megan Ritter,  
Seton Hill University



“Zell Miller and Evan Bayh.  
Miller goes after the Democratic  
Party—he’s a breath of fresh air.  
And Bayh has cut taxes.”  
—Ryan M. Shafik,  
American  
Radio Journal

“Obama and Edwards. Obama  
because he smoked crack. He  
admitted it, he put it in his  
book. And Edwards because  
he does so much for the poor.”  
—Lyndsey Paskett,  
Virginia teacher

in ordering twice as much  
ice (\$100 million worth) as  
was needed to be delivered  
to New Orleans in the after-  
math of Hurricane Katrina.  
Nonetheless, in 2006, IAP  
managed to win a \$120 mil-  
lion contract to take over  
support services at Walter  
Reed Army Hospital, despite  
a less expensive initial bid  
from public-sector workers.  
You may have heard the rest  
of the story: an attrition of

skilled workers at the hos-  
pital and the ensuing mas-  
sive scandal over conditions  
there. Under Bush, Circular  
A-76 could be called the  
Heckuva Job Provision.

WHO'S THE HEEL?

As if to prove that Nancy  
Pelosi isn't the only Demo-  
cratic congresswoman sub-  
ject to absurd scrutiny from  
respectable press outlets con-  
cerning wardrobe choices,

a lengthy *Los Angeles Times*  
article in March analyzed fel-  
low Californian Loretta San-  
chez's reputation as a “siren”  
with a “fondness for come-  
hither heels.” The reasoning  
on display in the piece (head-  
line: “For Rep. Sanchez, a  
Hot-Tomato Label Means  
Hot Potato”) was notable. As  
the *Times* put it, Sanchez's  
recent resignation from the  
Congressional Hispanic Cau-  
cus typified the mix of “two

familiar elements in San-  
chez's career: politics and the  
risqué,” because she says her  
departure was due in part to  
caucus Chairman Joe Baca's  
sexism and use of the term  
“whore” to describe her.  
Apparently this puts the  
burden on Sanchez to deter-  
mine “whether her reputa-  
tion will be more coquette  
or congresswoman,” rather  
than on, say, Baca to demon-  
strate that he's not a lout.

DIAGNOSTIC TEST

Many commentators have discussed meltdowns on the part of the current vice president, and rumors of resignation are flying. For future administrations, here's a chart designed to help categorize and evaluate vice presidential meltdowns in terms of severity.

	NO MELTDOWN	MINOR MELTDOWN	SEVERE MELTDOWN	IRREPARABLE MELTDOWN
When your veep has a heated exchange with a member of the opposition party, he ends by saying:	"I'd prefer we ended this discussion now."	"You're being a royal pain in the ass."		[With finger pointed at opponent] "Extraordinary rendition."
When your veep assesses the U.S. effort in Iraq as of 2007, he reacts as follows:	"This is a calamity that only a major shift in strategy can possibly lessen."	"It's bad, but there's more hope than critics admit."	"Bottom line is that we've had enormous successes and we will continue to have enormous successes."	"I just bought a summer home in Tikrit."
When your veep is asked why he kept the shooting of a friend hidden for over 12 hours, he answers:	"I was upset and didn't think straight."	"I wanted to make sure we got it [the story] as accurate as possible."	"Jesus told me to do it this way."	"I always keep shootings private for the first 12 hours."
When an ambassador suggests in an op-ed that your veep manipulated prewar intelligence, he responds by:	Issuing a denial and correcting any mistakes.	Screaming incoherently and running around the room in his underwear.	Outing a CIA agent and subjecting the White House to a four-year investigation and trial.	Walking quietly from room to room in the West Wing and killing every living person.
When your veep is asked by Wolf Blitzer about his lesbian daughter having a baby, he responds:	"I'd prefer not to go into that."	 "You're out of line with that question."	"I'm going to hurt you and your family very badly."	"I'm going to shove Mary's baby up your ass."

Conclusion: Based on the above information (actual findings in red), we conclude that our current vice president has come close to permanent brain damage but so far has merely suffered persistent, severe bouts of derangement. — T.A. FRANK

LANDOV (2)

# Freakopolitics

BY MARK SCHMITT

**I**F YOU START TO READ THE POLICY PROPOSALS OF THE Democratic presidential candidates and the mainstream Democratic think tanks, you will quickly get the impression that, while Democrats see lots of problems, there's always just one solution: a tax credit.

John Edwards proposes an "American Dream Tax Credit"—up to \$1,000 a year for five years to help buy a first home. Barack Obama has a new tax credit to promote fatherhood. Outside of the candidates, competition for the tax-credit championship is fierce: The leaders are Senator Chuck Schumer's four-part "Middle-Class Opportunity Act," which has new child-tax credits, a new tax credit for college tuition, and a new credit for families caring for older parents; and the Hillary Clinton-linked group, Third Way, which offers some of the same, plus a new-baby tax credit. Everyone wants tax credits to encourage savings and energy conservation.

It's easy to see why tax credits are appealing. The Earned Income Tax Credit (EITC), for example, lifts more children out of poverty than any other program, and it has bipartisan support. But how did tax credits become the answer to everything? Are there no other tools left in the box? What happened to the kind of liberalism that could build the Social Security system or the great public colleges and universities?

Part of the appeal of tax credits is that they can be a kind of positive government by subtraction: They allow liberals to retain the promise of an active, engaged government without challenging the anti-government ethos of the right by calling for a new program supported by taxes. Indeed, tax credits are the only instrument available if you can't bring yourself

to admit that we will have to raise taxes to pay for the services we want. By packaging new benefits as if they really were tax cuts, Democrats seem to think they can dodge the tax-and-spend issue altogether.

Besides, nothing says we love the middle class, with all of its crucial swing voters, like a tax credit. A tax credit is the perfect bullet for the middle class: The poor get nothing, because they pay no taxes, and the wealthy seldom qualify, because most credits are phased out for the upper brackets.

Finally, tax credits are the ideal expression of the motto that many Democrats adopted from David Osborne's 1992 book, *Reinventing Government*: Government should "steer, not row." Instead of taking charge of problems and putting real money and programs behind them, government should deploy incentives to gently prod the natural forces of the world in the direction we want them to go.

This decade's version of *Reinventing Government* is *Freakonomics*, by Steven Levitt and Stephen Dubner, which in its 95 weeks on *The New York Times*' best-seller list has popularized the idea that "incentives are the cornerstone of modern life." *Freakonomics* brings Chicago School economics to the masses. The idea

that people are *homo economicus*, always calculating their decisions based on rational and fully informed analyses of their economic utility, is deeply conservative, associated with the public-choice school that brought neoclassical economic doctrine into political science.

Ironically, at the very moment that Chicago School doctrines seem to have transfixed even progressive policy wonks, economics is moving on. The hottest work now is in "behavioral economics," which tries to figure out why monetary incentives so often don't work. People, it turns out, don't always contribute to a savings or pension plan just because there's a financial match. Seeing what other people do, having personal contact with someone who encourages them to do it, or making saving an automatic option are all as important as the monetary incentive itself. And if incentives don't change such a purely economic decision as saving, why should we think that tax credits will affect such profoundly personal decisions as whether to go to college or be a responsible father?

We've reached the limit of government by tax credit. The longer we go without raising the minimum wage, the more the EITC is just a subsidy for low-wage employers. A tax credit for tuition won't open the door to college to anyone who is not already going to college. And you can't "steer, not row" your way to universal health care.

If we have any hope of restoring the promise of active, problem-solving government, we have to be willing to use some of the other tools in the policy box. Sometimes we just have to mandate things, or regulate them. Sometimes we have to be willing to build new public structures. Sometimes we have to put some real money behind solving a major public problem, and be willing to raise taxes to do it.

Perhaps it's time to put down *Freakonomics* and read some Keynes. **TAP**

*How did tax credits become the answer to everything? Are there no other tools left in the box?*



# Paulson's Deregulation Mission

BY NOMI PRINS

**L**AST MAY, WHEN HENRY PAULSON WAS NOMINATED by President Bush to be treasury secretary, the Goldman Sachs chairman declared, "We must take steps to maintain our competitive edge in the world." Five months later, Paulson warmly embraced a private-sector Com-

mittee on Capital Markets Regulation, ostensibly to preserve America's role as the world's largest international capital market. In November, the 22-member committee—self-described as independent, bipartisan, and consisting of America's corporate and financial leaders—issued its first interim report.

Co-chaired by another Goldman Sachs alum (under Paulson), John Thornton, the committee warned that U.S. regulations were scaring away capital. New stock issues were increasingly being listed on European or Asian exchanges. Foreign companies were raising capital via private offerings instead of public exchanges, to avoid the disclosure requirements of the Sarbanes-Oxley Act of 2002 and the liability provisions of the 1933 and '34 Securities Exchange Acts. The risk of class-action lawsuits and high director insurance rates were frightening away foreign capital, too. The solution? Dismantle much of what's left of New Deal financial regulations and some of Sarbanes-Oxley.

But, despite the natural growth of Europe and Asia as competing financial centers, the U.S. share of global stock-market activity is 50 percent, 3 percent higher than it was a decade ago. One reason: Regulation reassures investors.

In mid-March, Paulson co-hosted—along with yet another Goldman Sachs veteran (also under Paulson), Undersecretary of the Treasury of Domestic Finance Bob Steel—a "Conference on U.S. Capi-

tal Market Competitiveness" to discuss the regulatory issues raised by a parallel panel sponsored by the U.S. Chamber of Commerce. Ironically, the conference was announced on February 27, the day before one of the fastest-growing capital markets, China, saw its stock market plummet more than 9 percent, its largest drop in a decade, prompting a bloodbath of global selling and causing a 3.3 percent plunge in the Dow.

China, despite heavy state involvement in the economy, has lighter stock-market regulations than the United States, and much smaller trading markets. That's why the magnitude of China's drop was so intense. The more-mature and better-regulated U.S. markets managed to claw back a quarter of their losses the next trading day.

Uncertainty isn't good for markets. Smart regulation provides companies and investors a safer haven in which to both raise and park money. Stock prices relative to profits are also higher for companies trading on U.S. exchanges than for similar companies trading outside the United States. That's not because those firms are burdened by Sarbanes-Oxley; it's because regulation certifies the safety of markets and attracts capital.

The self-serving argument that too much regulation hurts the U.S. finan-

cial markets was used by another former Goldman co-CEO and U.S. treasury secretary, Robert Rubin, to help kill Glass-Steagall, the 1933 act that prevented conflict-of-interest behavior within the walls of financial institutions. But when Glass-Steagall was repealed, in 1999, it was (at least) done amid multiple congressional debates. Now, these private-sector committees seek to have recommendations approved by a docile Securities and Exchange Commission without any review by Congress.

The report on regulation warns "a regulatory race to the bottom will serve no useful competitive purpose." Yet loosening disclosure is exactly that bottom-bound race, as we know from having witnessed the Savings and Loan crisis, and the collapse of Long-Term Capital Management, Enron, WorldCom, and so many other casualties of past deregulation.

The U.S. share of growth in all global capital-raising activities has indeed declined comparatively in recent years, but the reason is not regulation designed to protect investors; it's a weak dollar

and exorbitant debt. Since George W. Bush took office, the U.S. treasury debt leaped from \$5.6 trillion to \$8.78 trillion, and the dollar fell sharply relative to all other major currencies. Economic mismanagement is a far stronger deterrent of foreign capital than disclosure.

The treasury secretary should defend the integrity of the U.S. markets,

not lead the charge to increase their short-term profits by lowering the regulatory bar, even if that helps Wall Street firms increase fee income and the New York Stock Exchange increase market share. The exchange happens to be run by John Thain, yet another former Goldman Sachs co-president (under Paulson). **TAP**

*Nomi Prins is a senior fellow at Dēmos and the author of Jacked: How "Conservatives" Are Picking Your Pocket (Whether You Voted for Them or Not).*

*The U.S. share  
of global stock  
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# Friendly Takeover

*By common consent, the most influential figure setting the economic course of the Democratic Party is banker Robert Rubin. But his counsel isn't likely to help either the Democrats, their constituents, or the economy. Why does he have so much influence?*

BY ROBERT KUTTNER

IN APRIL 2004, AFL-CIO PRESIDENT JOHN SWEENEY grew concerned that John Kerry was getting too much of his economic advice from the Wall Street wing of the Democratic Party. Kerry had just completed his primary sweep. In the general election, he would need the unions. Sweeney proposed a private meeting to discuss living standards as a campaign issue, and the candidate invited the labor leader to his Beacon Hill home. Sweeney arrived at the Kerry manse, bringing his policy director, Chris Owens, and Jeff Faux of the Economic Policy Institute. There, seated in the elegant living room, were Robert Rubin and two longtime lieutenants: investment banker and former Rubin deputy Roger Altman, and fellow Clinton alum Gene Sperling—Kerry's key economic advisers.

In a three-hour conversation, the group discussed the deficit, taxes, trade, health care, unions, and living standards. The labor people urged the candidate to go after Wal-Mart's low wages. Rubin countered that a lot of people like Wal-Mart's low prices. Kerry eventually announced that the meeting needed to wrap up, because "Bob has to get back to Washington." Rubin responded that, no, he could stay as long as Kerry wanted. Sweeney and his colleagues were ushered out the door; Rubin, Altman, and Sperling remained. "Wall Street was in the room before we arrived," says Faux, "and they were there after we left."

Now, more than two years after Kerry lost a winnable election, the Democrats have taken back both chambers of Congress, running on an economic platform far more populist than Kerry's. With the strongest field in decades, they could win the presidency in 2008. Though Hillary Clinton is running as an economic centrist, a ticket led by John Edwards, Barack Obama, or Al Gore (if he gets in) would probably run a robust campaign on pocketbook issues. But if the Democrats do take back the White House, they are likely, once again, to find Bob Rubin in their living room.

Formerly co-chairman of America's top investment bank, Goldman Sachs, Rubin now chairs the executive committee of the country's leading commercial bank, Citigroup. In between, he served as head of Bill Clinton's National Economic Council,

then as treasury secretary, and he continues to be the party's preeminent economic guru. Other men have stood at the pinnacle of Wall Street. No one else has simultaneously been at the pinnacle of the Democratic Party.

Of course, there have been other influential Wall Street Democrats. John J. Raskob, the party chairman and senior executive of General Motors and DuPont, was a powerfully conservatizing influence on the pre-Roosevelt Democratic Party. The treasury secretaries under Democratic presidents Roosevelt, Truman, Johnson, Kennedy, and Carter all were fiscal and regulatory conservatives, as were such Democratic Party leader-cum-lobbyist types as Bob Strauss and Tony Coelho. But none combined Rubin's power on Wall Street, his admiring press, and his broad sway over the party's economic posture.

A MAN OF NIMBLE INTELLECT, SELF-EFFACING CHARM, AND professed concern for America's downtrodden, Rubin functions as what once would have been called a power broker. But that label doesn't attach to Rubin, because he is so seemingly public-minded, so socially liberal, and so genuinely nice. David Bonior, among the most pro-labor of Democrats when he was House Democratic Whip and now John Edwards' campaign manager says, "Of all the people I dealt with in the administration, he was the most accessible, engaging, and the least arrogant. We often didn't agree, but you could always have a dialogue."

And it was a dialogue that Rubin usually won. Rubin's rise is not just personal but structural. It reflects, and reinforces, the increasing influence of finance on the American economy and polity, through both deregulated financial markets and campaign money.

Rubin's extraordinary power reflects the synergy and networking of his multiple roles—as fund-raiser, gatekeeper, banker, certifier of fiscal soundness, and as the man reputedly responsible for the boom of the 1990s. Rubinomics, of which more shortly, is credited with balancing the budget, broadening prosperity, and redeeming the Democrats as fiscal stewards.

Rubin enjoys unparalleled reach into the overlapping worlds of corporate and Wall Street boardrooms, nonprofits, party

organs, and senior Democratic politicians. The leading center-left Democratic-oriented think tank, the Center for American Progress (CAP), has Sperling as a senior fellow in economics. Despite bolder initiatives on health insurance and other issues, and some staffers to Sperling's left, CAP's core view of budget balance, regulation, and trade, are close to Rubin's. The Hamilton Project, founded by Rubin and based at the Brookings Institution, promotes free capital movements, fiscal balance, and small gestures toward greater equality. In April, Rubin will serve as honorary co-chair of the 25th anniversary gala of the Center on Budget and Policy Priorities, the most respected liberal think tank on fiscal issues. Rubin also serves as vice chair of the Council on Foreign Relations.

It was Rubin who promoted his protégé Larry Summers for president of Harvard, certified Summers' supposed new maturity, and resisted Summers' ouster. Rubin is one of only seven members of the Harvard Corporation, yet characteristically, when the Summers presidency exploded, little mud splattered on Rubin. And although he no longer raises large sums for political candidates himself, Rubin remains very close to others in the Wall Street Democratic money machine, and to its party conduits, particularly Senator Chuck Schumer, who heads the Democratic Senate Campaign Committee, and Representative Rahm Emanuel, Schumer's House counterpart in the 2006 campaign.

When the Democrats took back the House in 2006, incoming Speaker Nancy Pelosi advised the new Democratic caucus that its first two briefings would include one on defense, with three experts of differing views. On the economy, Robert Rubin would be appearing, solo.



**The Permanent Secretary:** Rubin (right) hears out John Sweeney (left), lest John Kerry (center) embrace any unsound ideas.

THOUGH WIDELY REGARDED as a Wall Street liberal, Rubin has played the same fiscally conservative ideological role for more than two decades, first as a fund-raiser, then as a high public official. Rubin was one of the Wall Street donors who persuaded 1984 Democratic presidential nominee, Walter Mondale, to make his politically disastrous call for tax increases to balance the budget the centerpiece of his convention address. "I respected Bob a great deal—still do—and often drew on his thinking," Mondale recently confirmed to me.

As Clinton's top economic adviser, Rubin's dubious counsel included making the North American Free Trade Agreement (NAFTA) a priority over health reform (Hillary Clinton's objections notwithstanding), and pushing the budget all the way to surplus, protected from a Republican treasury raid only by a

fictitious Social Security "lockbox." He did support expansion of the earned income tax credit and minor social-spending increases, but fiscal discipline was paramount. These views are not just those of a centrist policy kibitzer; they are exactly what you would expect of a leading banker.

Rubin's position as the Democrats' economic seer is unfortunate in several related respects. First, the vision Rubin is selling offers nothing for an economically stressed electorate. His theory is that budget balance, free capital markets, and low interest rates are both necessary and mostly sufficient for broad prosperity. We might like new social spending, but alas, the fiscal imperatives tie our hands. Rubin was a big supporter of pay-as-you-go-budget rules, now adopted by the Democratic congressional majority. These rules limit further Republican tax cutting, but they also hobble Democrats' ability to spend more than token sums on new initiatives.

Rubin contends that surpluses are required to prepay the coming costs of Social Security (which are in fact manageable)

and of Medicare (which are not). But the absence of new public outlay in Rubin's fiscal design precludes bolder strategies, such as increasing efficiencies and containing costs by making health insurance universal. Despite soothing rhetoric, the Rubin program offers nothing to fundamentally alter the economic risk and stagnation afflicting the broad working middle class. If the Rubin doctrine again dominates the Democrats' pocketbook program, it will once again blunt the Democrats' (now resurgent) appeal as the party of the common American.

A senior liberal member of Congress told me, "It's fair to criticize Rubin on ideological grounds, but he's utterly sincere in his views." Rubin tends to get a free pass on actions that, in lesser men, would be seen as plain conflicts of interest. For example, Goldman Sachs, which Rubin left to join Clinton, was a prime



underwriter of Mexican bonds both before and immediately after the passage of NAFTA, as Faux points out in his book, *The Global Class War*. Goldman was also the investment bank that underwrote the privatization of the Mexican national phone company, Telmex, in the late '80s. After NAFTA created a gold rush of foreign money into Mexico, enriching Goldman Sachs and its clients and triggering an unsustainable speculative boom followed by a crash, Rubin promoted the bailout of Mexico that made foreign bondholders whole. A little-noticed provision of NAFTA permitted foreign banks to acquire Mexican ones. In 2001, Rubin, back in the private sector, negotiated Citigroup's \$12.5 billion acquisition of Mexico's leading bank, Banamex.

As Clinton's adviser in trade negotiations, Rubin's top priority was less a level playing field for American exports than rapid access for U.S. financial capital. In negotiations for China's membership in the World Trade Organization, then-Chinese Prime Minister Zhu Rongji came to Washington in April 1999 to consummate the deal. According to Joseph Stiglitz, former head of Clinton's Council of Economic Advisers, Zhu, a reformer, went home empty handed because he failed to satisfy Treasury's conditions on rapid financial market liberalization and on access for foreign banks, which Rubin pushed over the objections of the State Department and the U.S. trade representative.

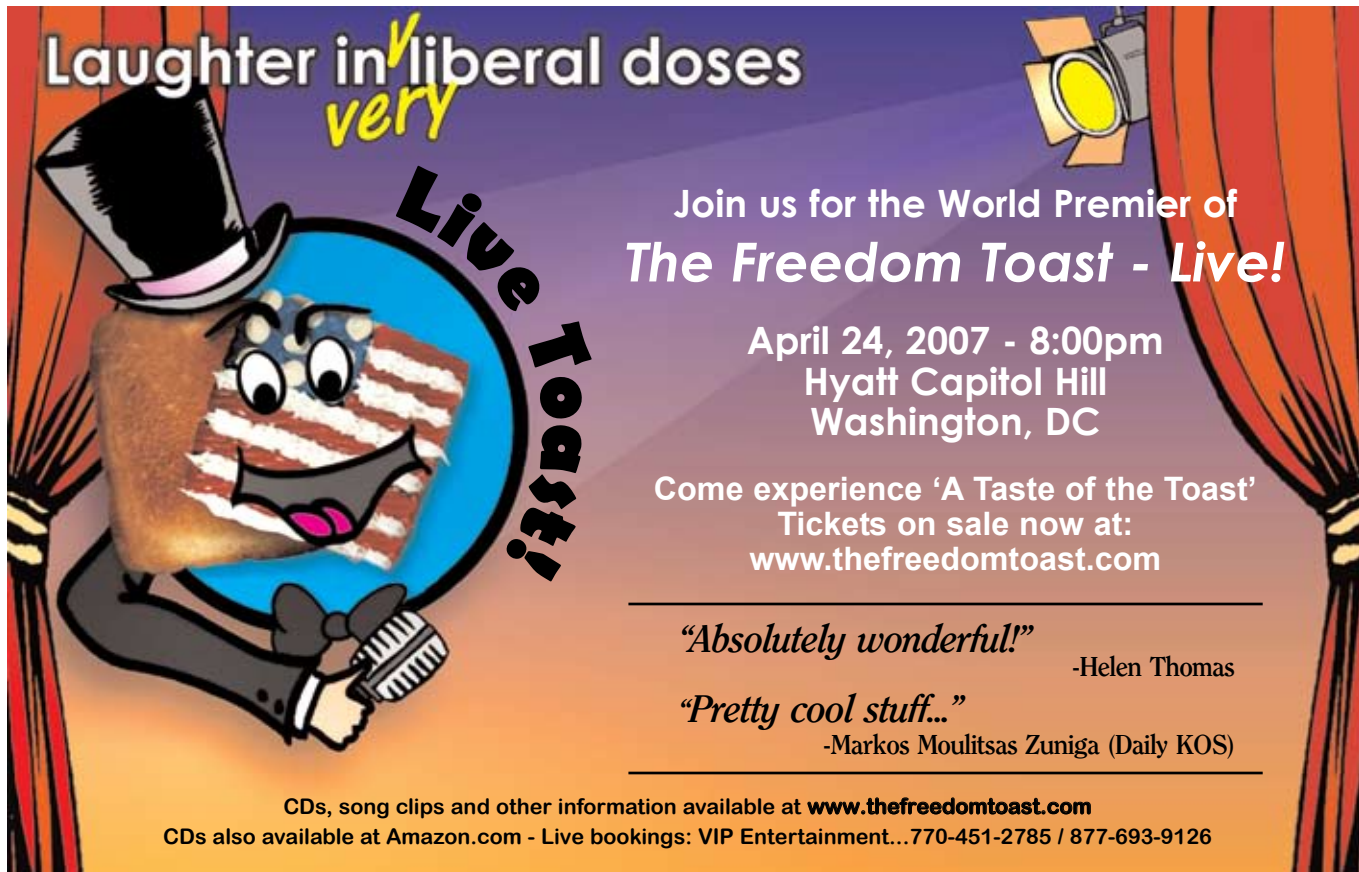
Rubin's crowning achievement was the repeal of the 1933 Glass-Steagall Act, which had separated largely unregulated and more speculative investment banks like Goldman Sachs from government-supervised and -insured commercial banks

like Citi, which play a key role in the nation's monetary policy. Glass-Steagall was designed to prevent the kinds of speculative conflicts of interests that pervaded Wall Street in the 1920s and helped bring about the Great Depression (and reappeared in the 1990s).

Glass-Steagall was steadily weakened by regulatory exceptions under three administrations going back to George Bush Senior. The premise was that tearing down the regulatory walls would promote competition. But the effect was to create greater concentration and renewed opportunities for insider enrichment.

Financier Sanford Weill gradually assembled the empire of insurance, commercial-banking, and investment-banking pieces that ultimately became Citigroup, helped by indulgent regulatory policies promoted by Federal Reserve Chairman Alan Greenspan and Rubin. When Congress formally repealed Glass-Steagall, in November 1999, the act was termed in some circles the "Citigroup Authorization Act." Rubin had stepped down as treasury secretary that July. His new job, announced in late October, was chairman of Citi's executive committee. Rubin's initial annual compensation was around \$40 million.

In November 2001, as Enron was collapsing, Rubin phoned Peter Fisher, undersecretary of the treasury for domestic finance, and inquired whether it might be a good idea for the Treasury Department to suggest that credit-rating agencies delay a downgrading of Enron's debt. Enron owed Citi about \$750 million. Fisher wisely fended off the pressure. When word of Rubin's lobbying leaked out, the Treasury and "a source close



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to Rubin” issued nicely complementary statements, so that Rubin’s inquiry was treated by the press as tentative, hypothetical, and above all public-minded.

As a top Citigroup executive, Rubin uses his unequaled Democratic contacts to resist reregulation. In a recent interview, I asked Rubin whether he saw any need for tighter regulation of hedge funds, the massive, nominally private investment funds that enjoy a wholesale exemption from the system of financial disclosure that has kept financial markets tolerably transparent since the New Deal. “I don’t know why you would single out hedge funds,” Rubin replied, in a sincere tone that suggested genuine puzzlement at the question. Why, indeed? Citigroup has hedge-fund and private-equity subsidiaries, lends to hedge funds, places trades for hedge funds through its brokerage affiliates, and works with hedge funds through its investment-banking arms. “There is an immense [regulatory] cumbersomeness that we’ve created in corporate America,” Rubin added. “It’s not just that it’s costly; it’s the deterrent effect that it’s created on people’s willingness to take risks.”

Rubin did volunteer that he is worried about the explosion of derivatives, that margin and capital requirements need to be increased. “That’s not a very popular position on Wall Street,” he chuckled. Quite so. However, neither Rubin nor Citigroup is promoting tighter regulation of derivatives.

**A**S WE WERE GOING TO PRESS, RUBIN WAS SPEAKING at a two-day U.S. Chamber of Commerce conference on the need to lighten the regulatory load. A *New York Times* story identified him as former treasury secretary, not as a current Citigroup executive. The potential conflicts in Rubin’s multiple roles tend to be excused by many Democrats, in part because Rubin’s stewardship of the economy in the middle and late 1990s is credited with producing the holy grail of Democratic economic policy: full employment, with rising living standards and greater income equality.

But for the most part, that credit is misplaced.

Supposedly, the gradual progress to budget balance that began in 1993 produced lower interest rates. Investment, higher growth, and full employment duly followed. The Clinton administration’s embrace of this strategy began at a private meeting in the Arkansas governor’s mansion in December 1992. There, Greenspan indicated that if deficits were reduced, the money markets would likely approve, and the Federal Reserve could deliver a somewhat looser money policy. A prime advocate for the Greenspan view was Rubin. In a key strategy meeting, Clinton famously exploded that his whole economic vision and political future were being held hostage by “a bunch of fucking bond traders.” At another planning session recounted by Bob Woodward, Clinton declared with sarcastic disgust: “Where are all the Democrats? We’re all Eisenhower Republicans .... We stand for lower deficits and free trade and the bond market. Isn’t that great?”

Clinton did succeed in producing a budget surplus. To his and Rubin’s credit, the budget included tax increases on the rich as well as cuts in spending. Interest rates did fall, and the economy did briefly reach full employment. But Clinton’s initial skepticism was correct. The cause and effect did not follow the Greenspan-Rubin script.

The ’90s saw declining inflation, looser money, and rising productivity growth, for reasons unrelated to Clinton’s slaying of the deficit. The economy’s previous investment in computers was belatedly raising productivity growth rates. With higher productivity growth, the Fed didn’t have to “take away the punch bowl,”

## **Robert Rubin’s stewardship in the 1990s is widely credited with producing full employment and greater economic equality. For the most part, that credit is misplaced.**

as former Chairman William McChesney Martin famously put it, for fear of letting growth trigger price pressures. Greenspan let the recovery rip because he saw few signs of inflation, not because of reduced deficits. The weakness of unions and the globalization of the economy also damped down wage pressures, while foreign competition disciplined producer prices.

Supposedly, deficits raise interest rates because government borrowing “crowds out” private investment. But with the globalization of capital markets, there was no crowding out. Having foreigners supply most of the U.S. economy’s capital is not sustainable in the long run, but in the 1990s it worked. In fact, it worked too well, and global financial speculation kept triggering runs on currencies. So Greenspan, despite worry that “irrational exuberance” was producing a stock-market bubble, declined to tighten money. The spigots were kept wide open, to bail out Mexico, and then much of East Asia. With credit cheap, and cooked corporate books exaggerating the good news, investors kept inflating the stock bubble.

As research by economists Dean Baker, Robert Pollin, and the Fed’s research staff has demonstrated, the late ’90s boom was mainly the consequence of the same stock-market bubble. At its peak in 2000, Baker calculates, “Households held approximately \$5 trillion in bubble wealth in stocks.” This paper wealth would be wiped out. But while it lasted, Baker computes, it produced \$150 billion to \$200 billion in additional annual consumption. So it was higher productivity, a compliant Fed, and consumption financed by a stock bubble that generated the bout of full employment. Budget balance deserves only minor credit (while Rubin’s support for global speculation helped inflate the bubble).

In fairness, the deficits inherited from Presidents Reagan and Bush Senior did need to be reduced—but not to zero. Rubin also gets credit for helping the Democratic Party escape its “tax and spend” reputation. But if there’s anything more toxic for ordinary consumers and voters than tax and spend, it’s tax and *not* spend.

Nobel Prize-winning economist Stiglitz wrote in 2003, “I believe we pushed deficit reduction too far.” Instead, Stiglitz

credited the 1990s boom to “the technological innovations—the computer revolution—and the process of globalization, changes in the economy that were proceeding before Clinton took office, and that would be little affected by deficit reduction.” Stiglitz went on to wish, with hindsight, that instead of devoting tax revenues to deficit reduction, “Clinton had used the additional funds to finance more investments in R&D, technology, infrastructure and education. ... GDP in the year 2000 would have been higher, and the economy’s growth potential would have been stronger.”

**T**HANKS TO RUBIN’S EXTRAORDINARY FACILITY AT cross-fertilizing his multiple roles, his Republican contacts are as good as his Democratic ones. Hank Paulson, the current treasury secretary, is, like Rubin, a former chairman of Goldman Sachs. The ex-chief of George W. Bush’s now-dormant National Economic Council, Steve Friedman, was Goldman Sachs’ co-chair, with Rubin, in the early ’90s. Goldman Sachs and Citigroup continue to be among the top 10 business donors to both parties. Bipartisan access doesn’t get any better.

Discounting his mainly verbal support for a more equal America, Rubin’s economic views are much as Clinton described: Eisenhower Republican. Rubin has personally pitched President Bush on his proposed grand fiscal bargain: The Democrats agree to cap Medicare and Social Security, the Republicans agree to raise some taxes, and a glorious future of budget balance ensues. Only Bush’s resistance to tax increases has saved the Democrats from this ideological and political neutering. But Rubin continues to promote his recipe through his Hamilton Project.

The project, launched a year ago, began with several appealing premises. Its founding manifesto, written by Rubin, Peter Orszag, Altman, and Jason Bordoff, declared, “Prosperity has neither trickled down nor rippled outward.” And government is part of the solution. (“Effective government can enhance economic growth.”) Specifically, programs of economic security can help “by enabling people to take the risks that promote growth” and by “lessening calls for growth-diminishing policies like closing our markets to competition.”

So far, so good. But the Hamilton Project’s actual program does not advocate serious new social outlay, nor does it have a kind word for unions, wage regulation, or social norms for trade. With the exception of one early paper by Jacob Hacker on “Universal Insurance,” Hamilton proposals are basically budget-neutral. I asked Rubin what level of net new social outlay the project envisioned. He declined to say.

Last July, at a Hamilton Project public program, *The Washington Post*’s Steve Pearlstein mischievously asked panelists Rubin, Altman, and Summers why not take a “time out” on further trade deals until Congress passes some of the social buffers that the project keeps endorsing in principle. “To a man, they recoiled at the idea,” Pearlstein reported.

Calling this posture “a perfect example of how the Democrats have lost the instinct for the political jugular and the ability to use policy disputes to political advantage,” Pearlstein added, “The idea here isn’t to kill free trade. It’s to take it hostage.” Lately, many Democrats in Congress have indeed been trying harder to hold the next trade deal hostage to more social protections. If they fail, Rubin’s counsel will have played a key role.

As I observed in a recent review essay in these pages [see “Must Trade Kill Equality? *TAP*, March 2007], the Hamilton Project is basically right that with adequate social investment, a nation can have both relatively open trade and a decent income distribution. The nations of the European Union manage this balancing act, but it costs about 15 additional percentage points of gross domestic product spent socially—around \$2 trillion a year by U.S. standards.

The small-bore programs advocated by Rubin and Hamilton offer little to economically stressed citizens. If Rubin is in charge of the Democratic economic program once again, the message will not rouse voters, because the policy will do next to nothing for the average American.

A BLIND SPOT IN THE USUAL STORY OF THE DEMOCRATIC PARTY’S capture by “interest groups” is the failure to notice Wall Street as an interest group. In the usual media account, the obstacles to the party’s modernization are such groups as abortion-rights advocates, blacks, gays, and unions. Candidates can score points with pundits for showing independence by taking on, say, the unions on school vouchers, or African Americans over inflammatory rhetoric (Sister Souljah), or civil libertarians over

**If Rubin is in charge of the Democratic economic program once again, the message will not rouse voters, because the policy does next to nothing for the average American.**

the death penalty (then-Governor Clinton’s refusal to spare Ricky Ray Rector).

Such actions are said to show political courage by resisting “politically correct” politics and entrenched interest groups. But taking on the most powerful Democratic Party interest group of them all—Wall Street—is viewed as a sign of recklessness, unsoundness, demagoguery, and political suicide. A mark of Wall Street’s ubiquitous power in defining the limits of the politically thinkable is that its power is hardly noticed. The personification of this power is Robert Rubin.

In reviewing published articles on Rubin going back two decades, I literally could not find a single feature piece that was, on balance, unflattering. The friendly press is a mark of the man’s exceptional charm, which also helps explain his political influence. Rubin managed to beguile even the indefatigable William Greider, who bows to nobody in his grasp and criticism of Wall Street’s dominant role in the economy. But in his generous *Nation* magazine profile of Rubin last July, Greider thought he detected heartening change.

“When Robert Rubin speaks his mind, his thoughts on eco-



conomic policy are the gold standard for the Democratic Party. ... So it's a big deal when Robert Rubin changes the subject and begins to talk about income inequality," Greider began. "More startling, Rubin now freely acknowledges what the American establishment for many years denied or dismissed as inconsequential—globalization's role in generating the thirty-year stagnation of U.S. wages, squeezing middle-class families and below, while directing income growth mainly to the upper brackets."

However, in the full interview transcript, published by *The Nation* online, Greider did ask Rubin lots of tough questions. But Rubin pointedly declined to embrace policies to carry out his liberal rhetoric.

The only unkind piece I found on Rubin was a short column of press criticism in, of all places, *Forbes*, the self-described "capitalist tool," making fun of a page 1 Rubin profile that *The New York Times* ran not long after the exposure of Rubin's lobbying on behalf of Enron. Instead of going into the possible conflicts in Rubin's multiple roles, the fawning *Times* piece was headlined "Rubin Relishes Role of Banker as Public Man." As *Forbes* acidly noted:

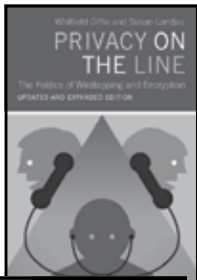
The Enron angle was the only legitimate reason for putting this Rubin puff piece on page one, yet the story did not get around to Enron until the fourth paragraph. Even then, the story carefully noted that Rubin "spoke as a banker, and also as a former Treasury chief concerned about the

risks to the markets." In other words, Rubin was not merely looking out for Citigroup's interests; he was acting as a public-spirited citizen ...

SO HOW ARE BOB RUBIN AND RUBINOMICS POSITIONED FOR 2008? All too powerfully, one suspects. The Hamilton Project will continue to turn out centrist policy papers trying to signal boldness with scant resources. Rubin will continue promoting his grand bargain to cap social insurance, raise taxes, offer token benefits, and further liberate global private capital. He will continue to have unparalleled influence with Democrats, and to receive an adoring press.

In presidential politics, Rubin is personally close to Hillary Clinton, but this trader covers his bets. His son, Jamie Rubin, is a major Wall Street fund-raiser for Barack Obama. His former deputy chief of staff, Karen Kornbluh, is Obama's chief domestic policy adviser, and Rubin is also close to Obama's chief of staff, Steve Hildebrand, who used to hold the same position for former Senate Democratic Leader Tom Daschle, another Rubin ally.

One candidate who might well reject Rubinomics is John Edwards, who is unlikely to raise large sums on Wall Street. And even Edwards is talking more about our duty to the poor, and less about the need to reregulate capitalism. However, should the populist Edwards be nominated, he will need a calming figure to reassure Wall Street that he is not an economic madman. Someone like Bob Rubin. **TAP**



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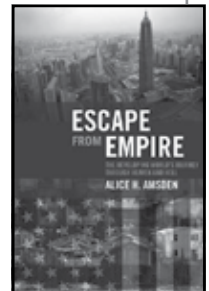
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**"HILLARY CLINTON IS TOO AMBITIOUS TO BE OUR FIRST FEMALE PRESIDENT,"** an editorial in *The Onion* joked last year. "What's more, nobody asked her to run. ... Shouldn't the first woman to break the gender barrier of the American presidency be the type of woman who listens to those who doubt her and bows to public opinion more often?"

As liberals winnow down the unusually strong field of Democratic presidential contenders to a single standard-bearer for their philosophy and party, they need to be on guard that their own opinions about Clinton go beyond *Onion* territory. Hillary Clinton faces unique uphill battles on account of her gender, but it is precisely a commitment to justice that should make liberals support her in those battles, rather than flee her side simply because her gender helps make her a divisive figure.



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The most important division Clinton begets is between men and women, and the conservative-liberal divide on her emerges in part from the gendered division of political beliefs in America. An ABC News poll of Democrats and Republicans in January found that men were divided 49 percent to 48 percent on Hillary, while women backed her with 59 percent positive to 39 percent negative impressions. According to a December 2006 *Washington Post*-ABC News poll, the same divide existed among Democratic voters. Clinton had a 20-point lead among Democratic women, with 49 percent of them—but only 29 percent of men—backing her as their first choice. Since then she has increased her margin of support enough that if women alone were voting, and the election were held today, she would

almost certainly be elected the next president of America.

In addition to convincing men of her candidacy, she needs to convince Democratic pundits and insiders, many of whom have long considered the extra effort needed to elect women problematic and employed the very same vocabulary now being used against Clinton. "I think the idea of just supporting women candidates is divisive," Democratic donor and Broadway producer Chase Mishkin told *New York* magazine in 1998, when EMILY's List declined to support a male candidate. Today, Nancy Pelosi is routinely attacked within her own party and on national television as a divisive figure, despite running the most unified Democratic caucus since 1956 and leading Democrats back into the majority. It is simply anti-progressive to oppose the social progress that female candidates represent just because they come with more baggage. It is true that Clinton has high unfavorable ratings among the voting public. But those who think some other candidate would be less objectionable are confusing cause and effect, and unfairly attributing to the lone woman in the race what is common to most well-known Democratic figures. High unfavorable ratings are a product of having a national profile in a divided nation with a pugnacious, mudslinging political culture. The same February *Washington Post*-ABC poll that showed Hillary Clinton with a 48 percent unfavorable rating showed her husband, one of America's most beloved ex-presidents, with a 42 percent one. Fantasy presidential candidate and Oscar-winning environmental film star Al Gore

# Hillary Clinton for President?

**IN 1999, THE DEMOCRATIC PARTY HAD A PROBLEM:** Daniel Patrick Moynihan was retiring from the U.S. Senate; Rudy Giuliani, already a nationwide celebrity with a solid donor base and a record of winning votes in the Democratic stronghold of New York City, was slated for the Republican nomination; with Andrew Cuomo and Carl McCall out of the race, Democrats looked likely to lose what should have been a safe Senate seat.

What they needed was someone with wide name recognition who could appeal to the Democratic base and prevent too much of the city from defecting to Giuliani, but who also wasn't so closely identified with New York City that he or she would alienate voters upstate. The solution, of course, turned out to be Hillary Rodham Clinton, first lady of the United States.

The qualities that worked for Clinton's Senate campaign in 2000, however, are not as compelling for a presidential run in 2008. Name recognition, something Clinton has in spades, is a major asset in virtually any political campaign except a

general election for the presidency. Strong support from Democratic base voters is sufficient to win statewide in New York, but not nationwide.

Of course, a candidate who appeals to the Democratic base because of a long record of leadership on key progressive issues or unusually liberal policy positions is someone to be welcomed, even if her positions make centrist outreach that much more necessary. Clinton, however, doesn't fit the bill. Rather, she is, on the merits, the least progressive of the major Democratic candidates in the race, and also the one with the least appeal to moderate and independent voters—the exact reverse, in short, of what liberals should be looking for in a nominee.

A lot of liberals fail to recognize this basic calculation, and there's a reason for that: We've now spent 15 fraught but hard-fought years with the Clintons as national Democratic leaders, during an era animated by a truly vicious and extreme Republican Party. It was often said that Bill Clinton was fortunate in his enemies, but if anything, this is even truer of his wife. The personal ugliness and fury of the right's obsessive



**CON BY SAM  
ROSENFELD  
AND  
MATTHEW  
YGLESIAS**

had a 48 percent unfavorable rating in *Rasmussen Reports'* December 2006 survey, and former presidential nominee John Kerry's was at 53 percent. All national Democrats who seriously contend for power become polarizing figures who attract hateful independent-expenditure groups, vicious "exposés," and unending negative scrutiny from powerful conservative media outlets.

The good news is that candidates can succeed when they learn how to ride the whirlwind. In June 1992, candidate Bill Clinton had an unfavorable rating of 47 percent, according to a Times Mirror survey—nearly identical to what his wife's is today. He managed to reduce that dramatically come fall (as his wife will need to) and win the election. Similarly, Gore had a 43 percent unfavorable rating in April 1999, according to a Pew Research Center survey, but managed to knock that down to the mid-30s by October 2000 and win the popular vote in November.

Perhaps the biggest misperceptions Hillary Clinton will have to overcome are that she is more liberal than she actually is on domestic issues (even though she is not the most liberal candidate in the field) and that she is too liberal to win a general election. In essence, those concerns

amount to objecting to the fact that she is female. In an extensive review of the political-science literature, Kathleen Dolan of the University of Wisconsin-Milwaukee found that "not only are women candidates of both parties seen as more liberal than their male counterparts, but that they are perceived as more liberal than they actually are." Further, "people use candidate sex as a cue in evaluating candidate ideology when they are faced with a woman candidate, but not when faced with a man." Clinton has the most moderate voting record of the four Democratic senators contending for the 2008 nomination, but it has taken two years of calculated moves on her part to get the public to understand this. In May 2005, 54 percent of respondents in a CNN/*USA Today*/Gallup poll said they considered her a liberal, and just 30 percent a moderate. But by August 2006, 67 percent were calling her a political moderate, according to a *Time* magazine poll—a dramatic shift in opinion.

This moderation has put Clinton in a position to help resolve tensions around some truly divi-

# An American Prospect Debate

attacks on Hillary Clinton have naturally served to bond liberal Democrats to her in defense, as does the often notably irresponsible treatment she (like her husband) has received from the mainstream press.

This dynamic remains in place today. On the right, GOP activists gear up to mount a full-on assault, replete with at least two "527" outfits targeting Clinton, a documentary exposé starring former Bill Clinton adviser and Ahab-like Hillary obsessive Dick Morris, and several books following the illustrious path forged in 2005 by Edward Klein's *The Truth About Hillary* (which documented Hillary's early embrace of "revolutionary lesbianism").

In other words, there's never a shortage of fresh outrages against her that naturally prompt liberals' sympathy and support. But of course, nobody is entitled to a presidential nomination on account of unfair treatment at the hands of scoundrels, and liberals should avoid the danger of judging Clinton's political maneuvers and struggles from her perspective rather than from the perspective of what's best for liberalism.

The psychodrama that is Clinton's long fight with the right—and with deep-seated forces of sexism and ignorance in the country—has tended to blind too many people to straightforward assessments of her actual views and political record. (A recent *Mother Jones* cover story spent 4,500 words ruminating on the various roles Clinton has come to play in the culture—"the Eleanor Roosevelt Hillary," "the Lady Macbeth Hillary"—without discussing her record or stated political views at all.) Now that primary season is upon us, and some choices have emerged

in the Democratic field, such assessments are overdue. And they demonstrate that Clinton's record is, in fact, fairly unpalatable from a liberal's point of view.

In a *New York Times* profile back in 1999, James Bennet wrote that "Clinton is widely viewed as more liberal than her husband, but there is not much evidence to support that." This remains the case today. On national security, Clinton's specific positions have, like those of many prominent Democratic politicians, tended to drift around over the years. She has, however, consistently positioned herself as one of the more hawkish members of her party, and she continues to do so.

Clinton has refused to apologize for her vote in favor of the Iraq War, a decision her campaign explains is driven, variously, by the political imperative not to appear as a flip-flopper, a substantive belief in the importance of executive power in foreign affairs, and—oddest of all—the claim that she never actually voted for war. "When I set forth my reasons for giving the president that authority," she recently told the *New Hampshire Union Leader*, "I said that it was not a vote for preemptive war." She did *say* that, but it still was a vote for such a war. Later, on the eve of the invasion, March 17, 2003, Clinton was still saying that she hoped to avoid the use of force in Iraq, but at the same time seemed to be justifying the president's rush to war. "The president," she observed, "gave Saddam Hussein one last chance to avoid war" by abandoning power and leaving Iraq (Hussein had already allowed weapons inspectors into the country), "and the world hopes that Saddam Hussein will finally hear this ultimatum, understand the severity of those words, and act accordingly." Clinton, in short, understood the severity of the president's words, yet she offered no objection either to his character-



sive national issues, such as abortion, on which a female leader has more freedom to stake out new ground and also faces more expectations to act. Since 2005, Clinton has helped reframe the abortion debate so as to co-opt the most effective turn in contemporary anti-abortion rhetoric. As documented by Sarah Blustein and Reva Siegel in these pages [see “Mommy Dearest,” October 2006], the anti-abortion movement’s newest stragem has been to argue that abortion hurts women, and to flood legislators with letters from grieving postabortion women.



Clinton has worked to defend choice even in that environment by unifying left and right around the shared goal of reducing the number of unwanted pregnancies.

When Clinton gave her 2005 speech calling abortion a “tragic choice,” some women’s groups reacted with concern and outrage. But since then, there has been a major shift among abortion providers toward backing Clinton’s pregnancy-prevention strategy and offering postabortion services that deal with women’s psychological and spiritual needs. In January 2005, Clinton and anti-abortion Senate Minority Leader Harry Reid cosponsored the Prevention First Act, which provided \$100 million to increase access to contraception through Title X, mandated that insurers cover contraception, and increased access to emergency contraception. Women’s groups have been fighting for years on a state-by-state—and in some cases hospital-by-hospital—basis for uniform standards of contraceptive coverage and access to information about emergency contraception. Clinton’s bill would use the federal government as it should be used: to

create national standards that improve women’s lives. That it might also reduce the political power of a contentious social issue is a welcome side effect.

Barack Obama, by contrast, has not been willing to stake out strong opinions in this arena. He sat out five abortion votes in the Illinois state Senate in 2001, voting “present” rather than “yes” or “no” on two parental-notification bills and three “born-alive” bills, thereby failing to stand up for the positions he now says, in *The Audacity of Hope*, he holds. Edwards, for his part, has no record of leadership on women’s issues, and has tried awkwardly to address Clinton’s candidacy through an unsophisticated surrogate operation involving Kate Michelman, the former president of abortion-rights group NARAL Pro-Choice America, and the hiring of bomb-throwing feminist bloggers Amanda Marcotte and Melissa McEwen, who resigned after they became the subjects of national controversy.

But Clinton knows that both women and men care about foreign policy and the war more than they do about abortion, which wasn’t even a voting issue for young single women in 2004, according to an analysis by Women’s Voices, Women Vote. As much as John Edwards has tried to turn his 2005 statement about his 2002 vote on the Iraq War resolution—“I was wrong”—into an exculpatory statement for himself, and a rhetorical trap for Clinton, voters are not buying it. A February *Washington Post*–ABC News poll, according to the *Post*, “found that 52 percent of Democrats said her vote was the right thing to do at the time,

**CLINTON’S HIGH UNFAVORABLE RATINGS ARE THE PRODUCT OF HAVING A NATIONAL PROFILE IN A DIVIDED NATION WITH A MUDSLINGING POLITICAL CULTURE. ALL NATIONAL DEMOCRATS WHO CONTEND FOR POWER BECOME POLARIZING FIGURES.**

ization of Saddam Hussein’s “defiance” or to an American invasion if Hussein did not give in to threats.

Clinton is hardly alone in having changed her view on the war, and some of those who have done so are even trumpeting their own change of heart. By contrast, Clinton’s new dissembling, on an issue where the record is so clear, fits a pattern: Not only is she not much of a liberal, she actually seems determined to insult liberals’ intelligence. “The political bet,” wrote *The New Republic*’s Ryan Lizza last year in a revelatory article about Clinton’s team of advisers, “is that, in a presidential campaign, the Democratic base of women, blacks, and labor can be won over in two ways: old-fashioned outreach and stroking by people like [Clinton spokeswoman Ann] Lewis or by the sheer star power of Hillary Clinton.” The bet, in short, is that liberals can be played for suckers.

What about domestic policy? The news that Mark Penn is serving as Clinton’s pollster and key political adviser (a role he’s maintained since her first Senate race) should send shivers down the spines

of any liberal. Penn’s idée fixe since the 1990s has been the invention of new “swing” groups composed of prosperous white men (“wired workers,” “office-park dads,” etc.) for the purposes of arguing that the Democratic Party should become less economically progressive. In addition to his work for Clinton and for various corporations such as Citibank, Texaco, and Microsoft, Penn was for years house pollster for the centrist Democratic Leadership Council (DLC), where support for Clinton also runs strong. The organization does not formally endorse candidates, but upon taking office, incoming Chairman Harold Ford wrote in a memo to the group’s founder and CEO, Al From, that he “assume[s] there will be an effort to help Senator Clinton’s campaign and ... I would support such an effort.”

Like the DLC, Clinton is making balanced budgets a top economic priority, calling for “a new bipartisan consensus” on deficit reduction in a major 2006 address at Chicago’s Economic Club. Meanwhile, her sentiments on health care in that speech—referencing “the scars from having dealt with health care some years ago” and calling for a new path involving “a public-private-sector consensus”—reflected the approach of her legislative director, Laurie Rubiner. Rubiner is a health-care specialist who worked for Republican Senators John Chafee and Bob Dole in

while 47 percent said it was a mistake. Of those who called it a mistake ... just 31 percent said she should apologize.” Further, “among Democrats who called the war the most important issue,” Clinton led Obama 40 percent to 26 percent, while Edwards, who has made contrition part of his presidential platform, is rapidly being outflanked by Obama and Clinton in Iowa, his strongest state.

This is where ignoring the elephant in the room—Clinton’s unique position as a female candidate—really starts to matter for liberals. Women are more anti-war than men. The very same population that most supports Clinton is the one that has most consistently and most ferociously favored withdrawing troops from Iraq and opposed intervening in Iran. And this same group has signaled its belief that the liberal values expressed by electing the first female president in our nation’s history trump the value of having that person apologize for her vote.

Just as African American voters quickly flocked to Obama’s side after he declared his candidacy, women voters have buoyed Clinton. Perhaps this is because, on the merits of their recent activities, none of the candidates has been an effective anti-war tribune. In the Senate, Obama and Clinton have submitted dueling bills to extract Ameri-

ca from Iraq, but neither senator’s legislation has a chance of passage. And Edwards, for all his fiery speeches, has been just as helpless when it comes to changing the commander in chief’s mind. Clinton has said that if elected, she will end the war in Iraq. This position seems likely to be accepted by those already inclined to see her as a leader.

To be sure, Obama has room to grow, and he may yet overtake Clinton as a candidate. There is a strong progressive case to be made for him as well, both on the merits and in terms of the justice issues at stake in defending him against the well-documented attacks black candidates face when seeking higher office. But once upon a time, liberalism was supposed to include defenses of women’s quest for equality, too. Clinton herself has realized this, unrolling both a pay-equity act for women and a campaign strategy to appeal to women as women. We ought to at least make sure that liberal critiques of Clinton don’t gussy up conservative traditionalism in the guise of world-weary political realism. **TAP**

**HILLARY CLINTON’S NATIONAL REPUTATION AS A LIBERAL IS PERVERSIVE, AND MEANS THAT, EVEN BEYOND HER APPARENTLY GENUINE CENTRISM, SHE’S UNIQUELY HAMSTRUNG FROM STAKING OUT ANY BOLDLY LIBERAL STANCES.**

the 1990s and helped draft a more conservative alternative (involving an individual mandate to purchase health insurance and subsidies to the poor, similar to Arnold Schwarzenegger’s plan in California) to “Hillary Care.”

Of course, on most domestic issues—whether the environment, taxes, or judicial nominations—Clinton is a perfectly orthodox Democrat. She has not, however, stood out as a leader on any major progressive causes during her time in the Senate—she was not a central player in congressional Democrats’ make-or-break fight against Social Security privatization, for example, and has declined to use her name and platform to make any significant issue a signature. One area in which she has stood out from the Democratic pack is in adopting socially conservative rhetoric and positions, whether pushing a bill banning flag burning, attempting to “reframe” the abortion debate, or calling for an increased federal role in video-game censorship. She has also famously engaged in a series of high-profile team-ups on various issues with hard-right Republicans, including Sam Brownback, Bill Frist, and Newt Gingrich. The political benefit to Clinton in such gambits has been considerable. But liberals should presumably find nothing to applaud in any of this unless they expect something real—and progressive—in return.

And there’s the rub. Clinton’s national reputation as a liberal is pervasive, and it means that even beyond her apparently genuine centrism, she’s uniquely hamstrung in staking out any boldly liberal stances on a major issue. At the same time, her

national reputation as a liberal is so firmly entrenched that she will likely find it extremely difficult to broaden her appeal to the electorate. There’s been too little polling on the subject, but a CNN/*USA Today*/Gallup poll that asked whether Clinton is a liberal or a moderate, conducted in May 2005 (near the height of her conservative positioning phase), had 54 percent of respondents classifying her as a liberal, and just 30 percent as a moderate. Years of adopting conservative issue positions, meanwhile, have not brought her back to the heights of personal popularity she enjoyed during the late 1990s—popularity that seems intrinsically tied to the ups and downs of her marriage rather than to her conduct in office. Her unfavorability ratings remain significant, and they have barely budged from the mid-40s during her entire Senate tenure. No Democratic candidate would enter a general election facing a lower, and firmer, ceiling of public support than Hillary Clinton.

Liberal Democrats should want a nominee who is, in fact, a liberal. And liberals and moderates alike have should want a nominee who’s seen as a moderate by the median voter. Clinton, however, is a moderate who people think is a liberal. This is a terrible combination of qualities from almost every point of view—except, perhaps, for the faction of her advisers whose views are probably too right-wing to be associated with the Democratic presidential nominee, unless they can latch onto the one candidate both blessed and cursed with an undeserved reputation for liberalism. Well, bully for them. But liberals should open their eyes. **TAP**



# Why Economists Can't See the Economy

*Economic theory and economic fact have long since parted company. And since we structure the world according to the theories of economists, this imperils just about everything.*

BY BARRY C. LYNN

*"The purpose of studying economics is not to acquire a set of of ready-made answers to economic questions, but to avoid being deceived by economists."*

— Joan Robinson, Cambridge University

ON PAGE ONE OF *THE WEALTH OF NATIONS*, ADAM Smith illustrates the central principle of his economics with an example taken from, in his words, a "very trifling manufacture": the making of pins. Smith goes to some effort to describe the process. "One man draws out the wire," he writes, "another straights it, a third cuts it, a fourth points it, a fifth grinds it at the top for receiving the head." In all, Smith counts 18 different "operations," then estimates that such specialization boosts productivity at least 240 times over what the same number of men, each working alone, could accomplish.

Smith's pin factory has served economists ever since as an organizing vision of what economics should work toward. "Specialization is wealth" is the idea that, to greater or lesser degree, orders the thinking of all economists. And due to the immense influence of economics within our society, this vision has come to shape how we view our world and organize the industries on which we all rely. America's promotion of free trade, at the most simple level, is just the vision of the pin factory supersized into national policy. If specialization across the factory floor is good, and across the nation's breadth is better, then across the face of the globe is best.

But what does it mean when such a dream comes true, and the dreamer does not realize it?

Look closely at today's global production system and you will see shockingly high degrees of specialization, in terms of both geography and ownership. More and more activities take place in only one or a few places on earth, and within one or a few companies. This is especially true in electronics: Taiwan produces more than half of the world's vital customized chips. But it is also ever more true of heavy industries, like automobile manufacturing, even of agriculture and food processing. One of the crowning conceptions of the Enlightenment has been achieved, yet economists appear entirely unwilling to recognize the fact, let

alone begin the task of examining how this revolutionary event might alter the purposes and pathways of their work.

For America, this is a big problem. As Adam Smith understood 230 years ago, decisions on how to divide the tasks necessary to produce pins are based not merely on questions of efficiency but also of engineering. If anything, the engineer's work naturally precedes that of the economist. Americans would never ask an economist to design a suspension bridge or a new jetliner, though we wisely insist that engineers give the economists a seat at their table. Yet when it came time to design the most amazingly complex system ever devised by human beings—the global production machine—we relied only on principles that spring from the mind of the economist. We did not insist that economists offer the engineers a single stool at the table; we did not insist they even invite the engineers into the room.

Our brand-new global factory does look awfully efficient. But it is an efficiency purchased through the destruction of all flexibility, and hence sustainability. What we should be fretting about now is what happens when, one day soon, we awake to find that war, revolution, disease, or natural disaster has cut us off from some one of the increasingly scattered pockets of workers we rely on to produce keystone industrial components or to process vital back-office information; what happens when, for want of access to one or a few of the links that make up the global assembly line as a whole, our entire industrial system breaks—pins, electronics, pharmaceuticals, food, and all.

ONE OF THE MORE FASCINATING ACADEMIC EXERCISES IN America these days is to sit down with an industrialist to discuss the growing brittleness of our production systems, then raise the exact same points with an economist.

The industrialist grasps the idea of fragility immediately, and often offers up fresh tales of production shutdowns and close calls. Indeed, industrial fragility has quietly emerged as perhaps the single biggest operational concern of business today, reflected in a boom in programs to study supply chain risk at places like MIT's Sloan School of Management and Penn's Wharton School.

The economist, by contrast, just as swiftly rejects the idea

JASON SCHNEIDER



of such fragility outright. Why? Because no industrialist, the economist will declare, would ever take such a risk. Industrialists who say that market pressures force them to take too much risk are simply seeking protection. They are selfish, or lazy.

To understand why economists will so audaciously dismiss the words of industrialists like Intel's former Chairman Andrew Grove—who a few years back warned that any break in trade between Taiwan and China would precipitate the “computing equivalent of Mutually Assured Destruction”—it helps to look at how the engineering of today's global production system differs from the engineering of the previous production system. Because to the extent that economists' thinking is based on the real world, it is the world that existed in mid-20th-century America.

Through most of our nation's history, the industries on which America depended were organized and managed in a radically different manner than they are now. The biggest difference was that industrial activity was doubly “compartmentalized.” Pro-

duction took place within discrete, vertically integrated firms, located within a largely self-reliant nation. This isolation of production—inside a box inside another box—made it relatively easy to identify risk and contain disaster.

A second big difference was that self-conscious actors with clear goals managed both the nation-state and the vertically integrated firm. The U.S. government wanted to maintain a robust industrial base for use in war; it therefore ensured that certain industrial capacity be located in America, and that American industry have access to the necessary supplies of materiel, technology, and skilled labor. Top managers at individual firms, meanwhile, had an interest in ensuring that no one ever shut down their firm. This meant structuring production systems in ways that guaranteed the assembly lines would always function, no matter what happened in the United States or abroad.

Over the last generation, however, Americans busted open both these boxes. We merged our national industrial system with the industrial systems of many other nations, in the process we know as globalization. At the same time, we encouraged our vertically integrated firms to blend their operations together, through outright merger and through the process of disintegration we call “outsourcing.” Add these two processes together, and the result is a single, global, networked system of production marked by extreme and growing specialization of activity. More and more, certain things are made, and certain services located, only in certain places.

In theory, there is absolutely nothing wrong with a networked system of production. On the contrary, we can easily imagine

## **More and more economic activities take place in only one or a few places on earth, and within one or a few companies.**

industrial networks—even ones global in scale—that are not merely more efficient but actually more safe, both economically and politically, than the compartmentalized systems of the past. The catch is to understand that networks are not safe by nature, but by design. A network will organize into dispersed compartments that isolate risk only if humans program it to do so.

This is what we did with the Internet, the basic architecture of which was designed by the U.S. government during the Cold War to ensure a deeply resilient system of communication. This is true also of the global monetary system, which is compartmentalized by currency and regulated by central banks. Indeed, this is true of all complex systems built by humans. Sometimes by initial design, sometimes after a period of trial and error, human beings act to make a system resilient and flexible by building in some redundancy and compartmentalization. Human beings come to realize that a system can become too specialized, too efficient, to be really safe.

This is not, however, the path we have taken with our global production system. Over the past two decades, we have destroyed the old compartments and kept the engineers from building new ones.



**I**N JANUARY, BRITAIN'S COMPETITION COMMISSION released several reports on consolidation within the country's grocery industry. Four firms control at least 75 percent of the total U.K. market for groceries; one, Tesco, controls a phenomenal 30 percent. Looking at the ability of a market owner like Tesco to dictate terms to suppliers, the researchers concluded that the industry had witnessed a qualitative shift from what they called a "market framework" of organization, characterized by numerous buyers and sellers, to what they called a "bargaining framework," in which "prices and other terms are negotiated bilaterally by a few giant powers." Their data also showed a huge shift of revenue away from such small suppliers as independent dairies, and a sharp reduction in the number of these suppliers.

Consider also the ongoing battle between Delphi and its hourly workers, or more accurately the three-way struggle among Delphi, the United Auto Workers (UAW), and General Motors, which for decades owned Delphi but which cut loose the parts unit in 1999. The fight is one of the best illustrations of how American capital has reorganized ownership and production to better concentrate its power. Two decades ago, the fight would have been largely an internal GM affair, worked out in negotiations between company managers and UAW leaders. Since then, however, GM succeeded in placing two barriers across that relationship.

It created one barrier when it spun off the parts unit, thereby turning an intra-firm relationship into one governed by semi-adversarial contracting procedures. This barrier, bolstered by the fact that GM is by far Delphi's No. 1 customer, has allowed GM since 1999 to reduce what it pays Delphi for a particular component by an average of 2.1 percent every year.

The other barrier is really a couple of barriers: the border with Mexico and the de facto border with China. These barriers enabled first GM and then Delphi to pit workers in distant lands against workers in the United States, in order to drive down wages in a relatively orderly fashion. As recently as 1999, 60,000 of Delphi's 180,000 workers labored at unionized assembly-line jobs in the United States. Today, the number of these U.S.-based workers is below 22,000 and falling fast, as Delphi shifts work abroad at the exact pace that best serves its needs.

What we see here are two variations on the business model refined over the last two decades by Wal-Mart. In the case of the U.K. grocery system, we see the replacement of a relatively free and open market system by one characterized by hierarchy and the top-down exercise of authority. In the U.S. automobile industry, we see the creation of wage-lowering arbitrage inside what was already a hierarchical and authoritarian system. In both cases, the result has been a massive increase in the top-down exercise of power over suppliers and workers who have nowhere else to go.

Now let's consider how the most basic theory of economics compares with what exists in today's real world.

The most fundamental assumption of mainstream economics today is that the natural state of an economy is perfect competition among many small actors. The average marketplace is viewed as free, open, and politically neutral. For our purposes, this theory is especially important because it allows economists to assume away the exercise of power within the economy, and hence any need to understand the effects of how power is exercised down—on to, for instance, the English dairy farmer or the American assembly-line worker.

The idea that the economy is characterized by perfect competition has been questioned, and sometimes ridiculed, both inside and outside the academy for ages. Until recently though, there were still many real-world examples of open markets comprising small actors such as farmers, storekeepers, and garage owners. Economists could continue to claim that their theory was valid in the real world, and hence of value to anyone seeking to understand the workings of the real world, because of the relative openness of these markets.

Such competition, though, is less and less the case in any major American marketplace. The radical changes in antitrust law imposed in the early 1980s by the Reagan administration unleashed forces that played out in the enclosure of many pre-

## **The private actors to whom our society has ceded all control over the corporation often strip-mine wealth from less powerful actors, such as their suppliers and workers.**

viously open markets. By limiting antitrust's scope to policing against concentrations intended to raise consumer prices, and by ignoring the effect of concentrated power on suppliers and employees, the Reagan Justice Department gave the rich individuals who control corporations carte blanche to control entire American marketplaces and to exercise near-absolute power within those systems. In market after market, private monopoly has returned—or, as in retail and agriculture (with the rise, for instance, of Perdue and Tyson, in the 1980s and 1990s, or Smithfield Foods' recent takeover of Premium Standard), consolidated power for the first time.

Over the last 25 years, this concentration of the economy has resulted in the emergence of an entirely new hierarchy of power. We see this most clearly in the displacement of the old producer oligopolies that dominated the American economy during the 20th century by newer firms like Wal-Mart and Dell, built from the ground up to retail other companies' products, and ultimately to dominate and manage entire systems. We see the emergence of this new hierarchy even more dramatically in the transformation of erstwhile manufacturers like GM and Boeing into firms that derive their profit increasingly from their ability to trade in goods and services produced by others. GM's spin-off of Delphi is just one small case. More dramatically, Boeing plans to turn to outside contractors for some 90 percent of its new 787 jetliner.

The emergence of this new hierarchy affects almost every aspect of American life. It amounts to the spread of private gover-

nance to a far wider swath of the U.S. political economy than was the case in the recent past, as exemplified by Wal-Mart's ability to set wage standards not only in its stores but, by dictating to its suppliers, on the roads and in the factories as well. The most important economic aspect of this new hierarchy is how it changes the nature of competition. Competition still exists, of course, but it takes place less and less within the open marketplace and more and more inside closed, authoritarian, corporate-controlled networks. In consequence, competition tends to become ever less creative in nature and ever more destructive.

Not all hierarchical systems are self-destructive. The vertically integrated firms of the past were extremely hierarchical in nature. But the structure of the old industrial system tended to prod managers to take care of their machines, workers, and technologies. In part, this was a function of loyalty: Everyone was part of a single enterprise. In part it was a function of law: Workers had

dangerous is that, due to consolidation, more and more of its component operations are unique in nature. As we saw in the Soviet Union, systems defined by a high degree of monopoly tend over time to erode any sense of ownership or responsibility. Even those managers and engineers who want to care for the system, perhaps improve it, increasingly can't. Any system in which gain is personalized and pain collectivized makes it more and more tempting for an individual to take risks that result in personal profit even if they imperil the system as a whole.

If anything, in an unregulated network, competition will tend increasingly to play out as a race to sack the system. A network is, after all, a sort of commons, like a fishery. As we see in poorly regulated commons, the lack of enforceable rules encourages even people who know better to grab what they can when they can, because they know that if they don't, someone else will. What the most powerful people strip from the system are pockets

of accumulated wealth. From the point of view of the workers, these pockets of wealth are called pensions and good wages. From the point of view of society, these pockets of wealth are what make up a sound industrial structure marked by variety, new technology, redundancy, and flexibility.

And so, every day, the divide between economist and engineer grows wider. The economist—reclining upon the ancient verities—remains supremely confident that the system is structured to identify and isolate risk, and to punish those people and firms who take too much risk. The engineer—who acts in the real world, within a framework of “markets” reconstructed over the last generation to reward power, encourage destruction, undermine community, and limit the scope of individual action and responsibility—grows ever more fearful.

ECONOMISTS DID NOT ALWAYS LIVE IN THE CLOUDS. Adam Smith based *The Wealth of Nations* on a close study of the processes and history of industrial activity and its relation to state policy. David Ricardo, who introduced the concept of comparative advantage, worked on the London Stock Exchange, where he made a fortune as a financier and speculator. The French economist Leon Walras studied to be a mining engineer, then worked as a journalist. Vilfredo Pareto spent more than 20 years as a civil engineer for two Italian railway companies.

Even after the academy began to emphasize the use of mathematics, it was by no means clear that economists would one day find themselves so completely divorced from the world. On the contrary, many in the profession seemed, in the early 1930s, to be developing the tools necessary to muck around in the real world, where economics collides with politics and power. To understand what economics is now, take a moment to look at one of the more important pathways economics did not take.

In 1932, Adolf Berle, a professor of corporate law at Columbia and one of Franklin Roosevelt's original three brain trusters, teamed up with Gardiner Means, a young economist at Harvard, to write *The Modern Corporation and Private Property*.

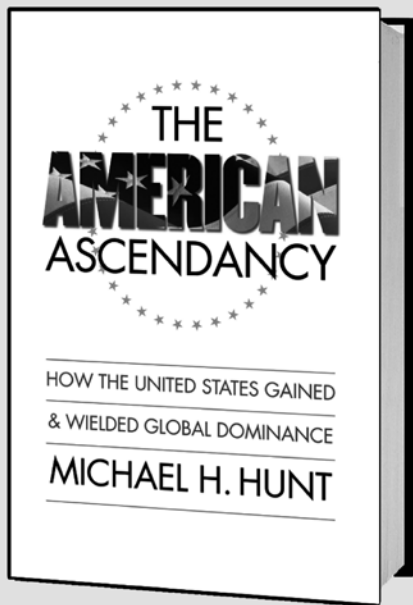
the right to organize. In part it was a function of self-interest: The 20th-century enterprise had to compete in the marketplace with other vertically integrated firms, and hence its managers placed some value on skills, knowledge, and capacity.

Today's hierarchies, by contrast, are the result of consolidation and outsourcing working in tandem. Consolidation means that top-tier firms fear competition from business rivals less than they did in the past; outsourcing, as we saw with Delphi, means firms feel less loyalty to the people and suppliers who actually do the work. In combination, consolidation and outsourcing result in top-tier firms assuming ever more freedom to exercise their power down onto the system itself (and, unlike the old producers, ever more freedom not to concern themselves with the total amount of revenue within a system—as measured not merely in profits but in wages and benefits and R&D investment—but rather only with the amount that the leading managers and shareholders can take away).

Nor, as we have seen, are all networked systems self-destructive. What makes our present networked system of production so







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This book showed that just a few firms dominated the U.S. economy, and that they were controlled not by old-fashioned owner-entrepreneurs but by professional managers. A year later, another Harvard economist, Edward Chamberlin, published *The Theory of Monopolistic Competition*, and the Cambridge economist Joan Robinson published *The Economics of Imperfect Competition*. Together, these works showed how such large firms hugely distorted basic market functions. At a time when the Depression had shattered the old certainties of laissez-faire economics, the effect of the near-simultaneous appearance of these three volumes was sensational, both within economics and among the general public.

For many economists, the works promised a future in which they would study and model the power of large firms and trace the effects of these concentrations of power on such factors as pricing and employment. This approach implied that markets are, at least indirectly, the products of law acting on or through the corporation and other institutions. It also implied that the concentration of economic power, especially through a public institution like the corporation, transformed the affected marketplace into a largely if not entirely political realm.

For mainstream economics, these works added up to nothing less than a direct challenge, from some of the most gifted economists and legal scholars of the era, to the core theory of economic dynamics: that all markets are perfectly competitive and perfectly neutral. For the citizen, they added up to nothing less than an argument in favor of bringing economic interactions more fully under the rule of law.

There are many reasons why this movement, often called "Institutionalism," did not become the branch along which the mainstream of economic thinking flowed. One was simple politics. Conservatives inside and outside economics rose in opposition to the new ideas, which, after all, did savor more than a little of Marxist analyses of "monopoly capitalism." (Even three decades later, in the book that launched him on his political career, Milton Friedman labeled the Berle and Means approach to the corporation one that threatened to "thoroughly undermine the very foundations of our free society.")

A second reason was war. As the United States prepared to fight Germany and Japan, even many left-wing economists felt compelled to work more harmoniously with the nation's industrialists.

A third reason, and what proved perhaps the most damaging one over the long run, was the emergence of Keynesian economics, which swiftly attracted many of the economists most enamored of Institutionalism, including the young John Kenneth Galbraith. Compared with the task of remaking the economy at the level of the firm, reform through broad fiscal policy seemed politically simpler and—because it allowed reformers to operate at the "wholesale" level—far more efficient.

Yet even without a platform within the academy, Institutionalism remained very much alive. It survived in law, especially in the philosophy and practice of antitrust. And thanks largely to another Harvard economist, Edward S. Mason, dean of Harvard's Graduate School of Public Administration, it survived in the public mind, flourishing again in the late 1950s and early '60s.

What ultimately killed off Institutionalism was the rise of the Chicago School of economics, organized loosely around Friedman's political writings, in the 1960s and '70s. Like the Institutionalists a generation earlier, the members of the Chicago School understood viscerally that economics and law—and hence economics and politics—were one and the same. Their goal could not have been more different from the Institutionalists', however. Rather than illuminate the political nature of market relationships, their aim was to push the politician entirely out of the realms of business and finance, and to push "market concepts" into the realm of politics.

Unlike the Institutionalists, moreover, the Chicago School was highly organized and very well funded. In public, members repeated ad nauseam their mantra that markets are perfect, and for that matter perfectly wise—which meant that politicians should never interfere in any market whatsoever, and that the state itself was, to at least a certain degree, an immoral entity. From behind this rhetorical cloud, in both Democratic and Republican administrations since the mid-1970s, members of the school oversaw the radical rewriting of the three main

## **The average American economist is not fit to understand, let alone design, the complex networks of our 21st-century economy.**

pillars of American economic regulation—the laws governing trade, competition, and the corporation—in ways that steered power and profit upward rather than down.

The Chicago School did not, of course, seek to chase the engineer from the factory floor. Its goal was merely to chase the American people—whether organized into unions or organized through Congress—from the realms of business and finance. But it does not much matter whether the death of industrial engineering was premeditated or merely an unintended accident. What matters is that, going forward, we can apply fresh engineering principles to our radically new global industrial network only by altering, in fundamental ways, the laws that govern trade, competition, and the corporation.

TO THE DEGREE THAT WE TRACE ECONOMICS TO ADAM SMITH, we trace it to a man who sought through his writing to encourage the exercise of reason by human beings condemned to live in a complex, dangerous, ever-changing world in which the interest of the nation and of the community sometimes trumped that of the individual. Mainstream economics today, by contrast, has degenerated into a purely materialistic and atomistic philosophy, fixed monomaniacally on the pursuit of efficiency as measured by the manufacture of objects and, increasingly, raw cash. Mainstream economics today strives not merely to restrict the realm made subject to reason but to replace the responsibility of the individual citizen to pursue ethical outcomes through politics with abject worship of an automatic mechanistic "market," which is really just a sham for private directorship of the political economy by the immensely rich.

Just how dangerous such a materialistic and deterministic way of thinking can be when applied to the real world is clear if we consider what Tom Friedman and other radical globalists conclude from the fact that we have scattered our pin factories and all of our other factories across the face of the earth. Their line of reasoning is beautifully simple.

Once human beings understand that our production system is so specialized geographically that it will stop working in the absence of any one of a number of major industrial regions, all rational people and right-thinking nations will naturally avoid any actions that might disturb the functioning of the system. The inescapable, predetermined result of making our industrial system fantastically fragile, they conclude, is a world of peace and harmony forever more. If anything, the more precarious the system, the more secure the peace.

To accept this global-market utopianism ultimately amounts to accepting the economist not merely as the engineer of our global industrial system but also as the engineer of an entirely new human nature. Isn't that what is implied by the idea that fear of disrupting our global materials and food-processing systems guarantees that people will soon cease entirely to even threaten the use of force against one another? What moral arguments have failed for millennia to achieve, what the still-living memory of the Holocaust and Hiroshima has not yet effected, the fear of crashing our high-definition-television supply chain will now make

manifest. War, revolution, politics itself—all reduced to vague and unpleasant memories by the global division of labor.

For those who harbor even a slight doubt that our global production system will automatically build for us all a world-spanning Zion (if only we keep our hands out of the gears), there is a wiser course, one that requires no radical shift in our politics. On the contrary, it requires merely a return to our nation's traditional approach to organizing government among human beings, which is to assume that human nature is deeply and irretrievably flawed, and that the best way to control such flaws is through the construction of carefully calibrated, interlocking, counterbalancing, and ever-evolving political institutions. It requires, as James Madison wrote in "Federalist No. 51," pursuing a "policy of supplying, by opposite and rival interests, the defects of better motives," and the will to trace this approach "through the whole system of human affairs, private as well as public."

Most immediately, it requires recognizing that the average American economist is not fit to understand, let alone design, the complex networks of our 21st-century economy in ways that result in the most minimal amounts of redundancy, resiliency, flexibility, and survivability, and that we'd better act fast to put someone on the job who can. It requires doing just what Adam Smith would surely do: Turn the task back over to the engineer. **TAP**

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**Barry C. Lynn** is a senior fellow at the New America Foundation and the author of *End of the Line: The Rise and Coming Fall of the Global Corporation*.

# Wal-Mart Comes North

*The continuation of the Civil War by other means*

BY HAROLD MEYERSON

**W**AL-MART, AS EVERYBODY KNOWS, BEGAN IN the backwaters of the rural South—though not everybody knows just how rural, how southern, how backwater. Wal-Mart's southernness, however, is precisely what sets the chain apart from the handful of other companies that once dominated the American economy: Standard Oil, U.S. Steel, General Motors, IBM. None imposed upon the nation values so parochial or living standards so threadbare as Wal-Mart's. Before Wal-Mart, no nationally dominant company had ever come from the nation's most backward region, let alone clung so stubbornly to that region's casual barbarities. Indeed, the massive resistance Wal-Mart has encountered in recent years as it has moved from the rural South to the urban North can be seen as an attempt by the North to preserve the legacy not only of the New Deal but also of its long-ago victory over the southern way of doing business.

Sam Walton opened the first Wal-Mart in 1962 in Bentonville (still the corporation's headquarters and nerve center), in the heart of the Arkansas Ozarks. Arkansas in the early '60s was not really part of John Kenneth Galbraith's "affluent society": In the 1960 census, Arkansas ranked 49th among the states in median per capita income, and unlike Mississippi, which ranked 50th, it achieved its distinction without being heavily black. Bentonville, in fact, was virtually all white: In every census from the end of the Civil War through 1990, it remained just 1 percent black.

The Ozarks were a region of venerable, white Protestant poverty. Historically, the area of northwest Arkansas and southwest Missouri was one of small family farms, only barely connected to the national consumer economy. By the measure of consumption—how many cars were purchased, how much electricity was consumed—the 1930 census deemed the Ozarks the poorest region in the country. When the Fair Labor Standards Act was enacted in 1938, establishing the first national minimum wage, it exempted agricultural workers and the employees of small, rural businesses. This was the price that southern senators and congressman, determined to hold down the cost of black labor, exacted for their support, but their demand also helped perpetuate poverty in the Ozarks, which as late as 1996 remained more than 95 percent white.

Things didn't get much better when the mechanization of agriculture forced the farmers off their farms. "Neither the New Deal nor the civil rights revolution had really come to



northwest Arkansas when Walton began to assemble his small-town retailing empire," labor historian Nelson Lichtenstein has written in a 2004 essay. "But the agricultural revolution of the early postwar era was in full swing, depopulating Arkansas farms, and putting tens of thousands of white women and men in search of their first real paycheck."

By 1980, Wal-Mart had become the giant of the Ozarks, with stores scattered across rural Arkansas, Louisiana, Mississippi, Missouri, Oklahoma, Kansas, east Texas, western Tennessee and Kentucky, and southern Illinois. Then as now, its executives and store managers came disproportionately from the rural South. "Wal-Mart recruited executive talent almost exclusively from the South-Central states," Lichtenstein wrote. "[T]he company's two most recent CEOs are graduates of Southwest Missouri State University and Pittsburg State University in Kansas." Since the chain's starting pay for managers is so low, it tends to recruit neither MBAs nor graduates of mainstream colleges, but students from denominational colleges and small branch colleges of southern state systems.

Walton had a genius for realizing an almost unfathomable volume of sales based on the twin pillars of Ozark economic life: very low wages and very low prices. The average hourly pay at Wal-Marts still ranges from \$8 to \$10, and the annual turnover rate among Wal-Mart employees, many of whom find they can't live on what Wal-Mart pays them, is nearly 50 percent.

As it branched out of its Ozark homeland to become the largest retailer in human history, Wal-Mart systematically targeted rural and exurban areas of modest means. Counties that had Wal-Marts before 1989 had a higher poverty rate than those that didn't, Penn State economist Stephan Goetz has concluded, and Wal-Marts are still disproportionately found in such areas. Walton's company rolled out of the South consciously targeting the kind of poor, nonunion shoppers it started with and creating a poor, nonunion workforce (whatever violations of labor law that required) wherever it went.

JASON SCHNEIDER



Underpricing its competitors, forcing its suppliers—whether truckers or manufacturers—to use ever cheaper labor if they wanted the goods they made or shipped to be sold on Wal-Mart's shelves, Wal-Mart became the nation's largest and most important employer, depressing wages in numerous sectors and across the land. So long as it had remained just a regional retailing power, nobody really pushed back: The mom-and-pop stores it slew by the thousands had no political muscle, and when Wal-Mart began taking on bigger game, it still emerged triumphant. As recently as 1990, the chain had just nine "Supercenters" selling food; today, it is the biggest food retailer in the world. More than 25 U.S. supermarket chains have declared bankruptcy and stipulated that Wal-Mart is the culprit, but most, like Winn-Dixie, were located in southern, rural, or exurban terrains where the political infrastructure that could stop Wal-Mart's expansion—potent unions, liberal legislatures and city councils—really didn't exist.

But Wal-Mart couldn't keep to the backwaters. It had to keep growing, and by the mid-1990s it had saturated the Farm Belt and the Rust Belt, the exurbs and the working-class suburbs. It had to come north. It had to go not just to Phoenix and Denver but to Chicago and New York, and to L.A. as well. And it had to do so without altering its low-wage, low-price way of doing business—triggering an irrepressible conflict between two very different systems of labor, no longer able to peaceably coexist in separate regions of the country.

## **As southern Republicanism came to dominate the polity, Wal-Mart came to dominate the economy.**

If the meaning of Wal-Mart's drive northward had been lost on northern workers, it became sickeningly clear in the aftermath of the 2003–2004 southern California supermarket strike and lockout. For decades, the unionized supermarket chains in the area had offered their unionized workers good wages and benefits, but the 2003 contract expired just as Wal-Mart was announcing a major expansion in the California market. The chains demanded that all new hires accept greatly reduced wages and benefits; the workers struck—and lost.

The workers' defeat, however, had the effect of awakening unions and liberals throughout the blue-state, bicoastal North, as did the massive gender discrimination suit against Wal-Mart's patriarchal practices. Since then, city councils across California and Oregon, New York and New England have enacted big-box ordinances blocking Wal-Mart from moving into their jurisdictions. Anti-Wal-Mart movements have kept the chain from moving into Los Angeles, New York, and Chicago, restricting either the size of the stores—which is fatal to a company that profits only due to the volume of its sales—or the company's ability to pay bottom-dweller wages. Where Wal-Mart can't offer the lowest price, it is not No. 1 (its pharmacy sales lag behind Walgreens, CVS, and Rite Aid because the prices are set by drug companies). Where it must pay higher

wages (as it had to in its German stores), it fails altogether (Wal-Mart has now shuttered its German operation).

So northern workers have mobilized their political power to keep a southern labor system from coming north and from undermining the higher wages and living standards they have won under their own freer labor system.

Does this ring a bell? Suggest some earlier episode in American history, perchance? In fact, Wal-Mart's drive northward may be the event that clarifies what the entire conservative revolution of the past 30 years truly is: not just the rolling back of the New Deal but the imposition of the grotesquely stunted economic and moral norms of the South on the rest of the nation.

The story of the South rising again began, paradoxically, with the civil-rights revolution of the 1960s, which compelled the South to align with the North on race relations and forced a moral legitimacy on the region it would not otherwise have attained. The South's rise to power continued with the ascent of Goldwater and Reagan conservatism, financed by southern and western businessmen who never accepted the New Deal, and supported at the ballot box by southern whites more than any other group. It rolled on with the rollback, beginning under Ronald Reagan, of labor standards, worker rights, antitrust law, and other public-interest regulations, creating a legal environment in which a company like Wal-Mart could thrive. It culminated with the conversion of virtually the entire white South, with its anti-statist and militarist biases, to Republican ranks, and the rise of southerners during the Bush-Gingrich-and-Bush years to the leadership of the Republican Party. And as southern Republicanism came to dominate the polity, Wal-Mart came to dominate the economy.

Indeed, Wal-Mart and modern Republicanism share a common commitment to traditionalist morality and patriarchy, to the degradation of labor, to enriching the rich, and to the global expansion of their power. Refitted for our time, these are the same southern values that this nation once, at immense cost in blood, rightfully crushed.

As political scientist Tom Schaller and others have argued, the southernization of the Republican Party has now become more a curse than a blessing to the GOP's national electoral prospects. The 2006 elections saw voters in the Midwest and the Mountain West, not to mention the coastal states, repudiate the aggressive unilateralist nationalism, Terri Schiavo religious primitivism, and indifference to economic justice that are the hallmarks of southern thinking. But a parallel battle continues to rage: the Wal-Mart wars, fought out in hundreds of city halls in blue-state America, in the state legislatures of California and Maryland, and now, perhaps, in the Democratic Congress.

If Wal-Mart can nationalize its role as the arbiter of labor standards, the effect on the American working class will be devastating. But, like Lee at Antietam and Gettysburg, it is fighting far from home now, facing a determined enemy on his home ground, an enemy whose interests have been threatened and whose conscience has been pricked by Wal-Mart's drive northward. An old war continues; the past, as Faulkner told us, isn't even past. **TAP**

# Who You Gonna Call?

*No constitutional lawyer has won a single case keeping soldiers from being redeployed to Iraq. But a couple of Manhattan lawyers, whose other clients have included John Gotti and Joe Columbo, are batting five for five.*

BY TARA MCKELVEY



**Street Fighters:**  
Stuart Slotnick  
and his father  
Barry Slotnick  
(right).

STUART P. SLOTNICK DOES NOT LOOK LIKE A REBELLIOUS lawyer. Photos of him alongside prominent Republicans including Rudy Giuliani and Michael Bloomberg decorate his office on the 35th floor of One Chase Manhattan Plaza, and a World War II-era “Pledge of Allegiance” poster hangs behind his desk. He dresses in a crisp white shirt with bling-gold, lion’s head cufflinks, and, as he says on a recent Friday morning, “I enjoy wearing an American flag on my lapel.” Meanwhile, his father, Barry Slotnick, an attorney who works down the hall at the law firm Buchanan Ingersoll & Rooney, is known for representing mobster clients such as John Gotti and Joe Colombo. The elder Slotnick sauntered into the lobby that Friday morning with his signature alligator briefcase in tow.

Yet despite the trappings of lawyerly success and conservative politics, the Slotnicks have a radical streak: They are in the vanguard of a legal movement on behalf of soldiers and officers who resist the call of duty after they have been ordered to deploy under “stop-loss” policies. These policies cover tens of thousands of soldiers and have become increasingly controversial as troops are being called up for second and third tours of duty in Iraq. So far, says a U.S. Army spokeswoman, 34,138 soldiers on active duty have been affected by stop-loss policies since December 2003.

The Slotnicks’ 2004 case on behalf of one of these soldiers, Army Captain Jay Ferriola, broke legal ground. A federal judge acknowledged jurisdiction over Ferriola’s claims and held an emergency hearing. As a result, Ferriola did not have to deploy to Iraq, making him the first soldier to challenge successfully the legality of a stop-loss order. He was eventually granted an honorable discharge from the Army, and the Slotnicks (especially Stuart, who has taken the lead) have been busy ever since.

A framed July 29, 2005, *New York Law Journal* article on Stuart Slotnick’s office wall explains why: “Battling the Pentagon Becomes a ‘Sub-specialty.’” Slotnick has filed lawsuits on behalf of five Army soldiers and officers over the past three years in federal actions against the U.S. Army. And in all five cases, the government capitulated, negotiated, and avoided trial; all

ERIC THAYER

of Slotnick's clients received honorable discharges. "We've sued the Army five times," he says. "And we've won five times."

Slotnick has succeeded where lawyers from progressive organizations such as the New York-based Center for Constitutional Rights and the San Francisco-based Military Law Task Force—both of which have roots in late-1960s civil-rights activism and have also litigated on behalf of soldiers—have not. But part of the reason for these successes is that Slotnick's goals are modest: His are victories on behalf of beleaguered military men; they do not constitute a challenge to the system as a whole. "We haven't challenged stop-loss," he explains. "That really isn't the big issue." Instead of changing the system, he and his father—like a veteran mob lawyer, you might say—are gaming it. Their legal argument is based on a question of individual rights and the Fifth Amendment. "The Army was denying our clients due process—the right to be free," he explains. "Ultimately, I think the strategy was the military didn't have a legal basis for keeping [Ferriola] in. We did a writ of habeas corpus and said they weren't providing him with due process and were unlawfully exercising control of him."

Part of gaming the system here means choosing clients who have a good chance of winning. Stuart Slotnick says he accepts only cases in which soldiers have fulfilled their "military service obligation," an eight-year period of duty—in other words, he says, cases in which "the Army is overreaching." He is less interested in soldiers who are raising messy ethical disputes over the Iraq War or who claim to be conscientious objectors.

Slotnick, a 1994 New York University School of Law graduate who says he once considered joining the Army as a Judge Advocate General lawyer, sounds anything but cynical. "Ferriola was a patriot and had served eight years," he says. "The Army said he had to come back, and it just wasn't right." Slotnick says that by helping these five individuals, he has influenced the Army's stop-loss policy. In theory, a legal strategy based on attacking the policy could do more. But the civil-rights lawyers who have used this approach have not prevailed.

ON SEPTEMBER 14, 2001, PRESIDENT GEORGE W. BUSH DECLARED a state of national emergency and invoked his right "to suspend certain laws relating to promotion," "involuntary retirement," and other aspects of military service. Stop-loss policies had been around for decades and been used in times of war, but Bush's speech expanded them into the more ambiguous "war on terror." Administration critics say these policies—like the warrantless eavesdropping program and the relaxed approach to the Geneva Conventions—are an attempt to expand the power of the executive branch. More immediately, the critics say, the policies unfairly treat soldiers who have already done their time.

On August 1, 2004, San Francisco-based attorney Michael S. Sorgen brought the first legal action against stop-loss policies. Affiliated with the Military Law Task Force, a committee of the National Lawyers Guild, Sorgen decades ago litigated on behalf of soldiers during the Vietnam War. He describes the

Iraq-related litigation as "an attack on presidential power." One client, a John Doe, had previously served and signed up again on a one-year enlistment. After Doe found out that his enlistment would be extended and that he would be sent to Iraq, he filed a lawsuit in federal court on October 1, 2004, in Sacramento against the Defense Department. Sorgen argued that the president does not have the "authority for involuntarily extending Doe's enlistment for nation building in Iraq." Doe's motion for a preliminary injunction was denied.

Other cases brought by civil-rights attorneys, including one on behalf of eight soldiers in a 2004 federal lawsuit, have also been defeated. "We understood that it was going to be difficult to win this issue in the courts," says Steve Goldberg, a member of the National Lawyers Guild who served as a counsel for an Oregon National Guardsman in a 2005 federal case (*Santiago v. Rumsfeld*) challenging stop-loss policies. "It was still close enough to September 11 that people believed there was a national emergency, and the courts historically have always deferred to [the] executive branch in times of national emergency. But we believed there was a strong legal strategy—and a human element," he says.

The obstacles to these lawsuits are immense. When an individual joins the Army and signs an enlistment contract, a Defense Department document known as Form 4/1, his status changes: He is no longer a citizen; he is a soldier, and the terms of his military contract are subject to change at any time—at least according to the Defense Department.

## By fighting small cases on behalf of sympathetic clients, the Slotnicks have forced the Army to negotiate.

Sorgen, Slotnick, and other lawyers have argued that soldiers, like citizens, do in fact have rights that are protected by the Constitution. They argue because, under habeas corpus, individuals cannot be held against their will without a legitimate reason, ordering men and women to serve beyond enlistment periods violates their constitutional rights. "Habeas corpus is used to test the power of the military to keep a person in uniform. It's a classic remedy to test military custody," explains Eugene R. Fidell, president of the Washington, D.C.-based nonprofit organization National Institute of Military Justice and a partner at the Washington law firm Feldesman Tucker Leifer Fidell.



The Slotnicks make the same argument. The difference between the cases they've handled and those Sorgen has litigated seems to lie mainly in the way the lawyers have screened their clients: The Slotnicks chose to represent individuals who had completed their eight-year terms in the military; Sorgen agreed to represent soldiers who had more complex contractual arrangements with the Army.

There is another important difference: Sorgen challenges presidential power in the courtroom, but the Slotnicks have not. Neither has Fidell, who has represented "half a dozen" soldiers. "We don't have an ideological ax to grind," he explains. By fighting small cases on behalf of sympathetic clients, the Slotnicks and Fidell have forced the Army to negotiate. Although legal experts agree that the Army is almost certain to win the cases if they go to court, Army officials are not eager to do so. The court cases can make Army commanders look like bullies and make it hard to meet recruitment goals. "After a while," says Fidel, "we wound up calling the Justice Department, and cases just went away."

IN JANUARY, DEFENSE SECRETARY ROBERT M. GATES TRIED TO stave off criticism of stop-loss by announcing that in the future the military would try to minimize the use of the policies in order to retain soldiers. But so far he has been skimpy on details. Meanwhile, at Fort Stewart, Georgia, soldiers are getting ready for 12- to 18-month deployments—for a third time.

Fort Stewart is a sprawling, 280,000-acre military installation, and neighboring Hinesville is home to about 30,000 soldiers, officers, and civilians. Together, the fort and the town

provide a testimony to the effects of stop-loss policies and a protracted war in Iraq. The communities are characterized by separation, abandonment, and "\$149 divorces," as advertised on plate-glass windows of two local law firms. Dogs and cats are left to fend for themselves when owners head off for Iraq, says Monica Benderman, a Hinesville elder-care worker whose husband, Kevin, has served in the war. Cars are stored on cinder blocks or simply deserted—with stereos and computers in the trunk—on the side of the street.

"You have to do it for the greater good, and that requires self-sacrifice," says a soldier's wife, Victoria Hicks, fiddling with her cell phone in the kitchen of the Family Readiness Center at Fort Stewart on a February afternoon. "I can also see that person saying, 'When is my sacrifice going to end?'"

Hicks' husband, an Army mechanic, had just left for Iraq. He will be there for another 12 to 18 months, and, she says, hopes to retire when he returns. She is worried that the Army may keep him from retiring. Stop-loss policies, she explains, are "a very real concern we will be facing when he comes to an end of this tour."

"That will have been 20 years for him," she tells me. "It's time to get out."

Kevin Benderman, 42, felt that way three years ago—shortly after he was stop-lossed and given orders for a second deployment of 12 months in Iraq. His is among the failed legal efforts to resist the policy.

On a Sunday afternoon in February, Benderman was hosing down the engine of a four-wheel-drive Ford pickup in his front



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**Free at Last:** Captain Jay Ferriola and his girlfriend, flanked by the Slotnicks.

yard in Hinesville. He and his wife, Monica, live in a comfortably cluttered house with an upright piano, quilted wall hangings, and a menagerie (two goldfish, three dogs, and two cats—including one whose mother was left behind by an Iraq-bound soldier). Benderman applied for conscientious-objector status on December 28, 2004. He felt strongly about not wanting to be part of the Iraq War, but he found the application process odd. “They don’t ask for a mental-health evaluation when you join the Army,” he explains. “But the minute you say you don’t want to kill people, they send you for one. They say you’re crazy.”

But Benderman, whose family has served in the military since the Revolutionary War, says it’s the war, this war in particular, that’s crazy. “It’s standing beside a mass grave and seeing a dog run away with a hand or a foot or whatever they can find. It’s standing there, seeing that and smelling that. It’s what you have to become to survive in war.”

Benderman joined the Army in 1987. He was 22. He left the military in 1991, started his own company, Benderman Floor Covering Installation Service, and watched it go under. At age 35, he found himself working as a manager trainee in a cafeteria when two female employees got into a knife fight. Professionally speaking, Benderman was floundering. And he still felt a pull toward the Army. In June 2000, he headed for a recruiter’s office in nearby Columbia, Tennessee, and reenlisted.

Nearly three years later, he recalls, he was heading to Tikrit in an Army convoy, manning a machine gun, when he saw a little girl standing on the side of the road. An older woman was trying to wave them over. “The little girl’s arm was burned—charred, crispy. She must have been about 9 years old,” he says. “We just drove on by. When we stopped later, I asked the lieutenant why we didn’t help her. He said, ‘That’s not our job.’ I said, ‘That’s what they’re telling us we’re here for—to help these people out.’ He said, ‘We don’t have enough medical supplies.’ I told him to take my share.”

Benderman folds his beefy arms across his chest. He says he understands why they couldn’t stop the convoy, which could have endangered the lives of U.S. troops. But he couldn’t get the image of the girl out of his head. “There was no satisfactory answer to the situation,” he says, finally.

Ultimately, his conscientious-objector application was denied. [See related “Diary of a Conscientious Objector,” *The American*

*Prospect* Online, [www.prospect.org/diary](http://www.prospect.org/diary).] Benderman contacted the Military Law Task Force, but he and his wife could not come up with the funds needed to mount an aggressive legal defense. He was represented by a military lawyer and an Augusta, Georgia, civilian lawyer who was, as Benderman puts it, “la-di-da.” On July 27, 2005, Benderman was sentenced to prison and served 13 and a half months in a Fort Lewis brig.

The brig was a wretched place, Benderman says, with “sewage dripping down on your head.” Decades earlier, in the late ’60s, Benderman’s teenaged brother had been thrown in jail for joyriding a stolen vehicle, and their father, a decorated World War II veteran, left him there rather than fight for his release. “He said he’d rather have him in jail than be in Vietnam,” Benderman recalls. For Benderman, as his older brother had discovered, jail was a sanctuary from a combat zone. “Well, they weren’t trying to kill me in jail,” says Benderman. “It’s better than Iraq, I guess.”

STUART SLOTNICK SAYS HE HAS RECEIVED CALLS FROM “dozens” of lawyers across the country who are interested in representing soldiers and officers fighting stop-loss policies. Meanwhile, the civil-rights attorneys directly challenging stop-loss have largely dropped the fight. Slotnick suggests that those lawyers “were doing constitutional challenges that were much broader, and that is why ultimately they didn’t prevail.” It may be that their efforts, which since have ceased, were simply premature. “I guess I was ahead of my time,” says Sorgen. “I think the courts felt they didn’t want to get involved in an attack on presidential power in a national-security situation.” By contrast, “The Vietnam War was already pretty unpopular in 1968,” he says, recalling that it had been possible to win cases at that time. “The level of public discontent with the Iraq War hadn’t yet risen to the point where courts would be receptive.”

Slotnick’s victories do seem to have had some impact on military thinking. Sitting in his office, Slotnick calls up on his computer a document titled “Department of Defense Directive Number 1235.13,” issued July 16, 2005. It creates new guidelines for how soldiers may leave the military, clarifying some legal issues, and appears to be the Defense Department’s response to Slotnick’s efforts on behalf of soldiers. “They did not want to fight so many lawsuits,” Slotnick explains. “I think our lawsuit was the first, and then we had several more, and we consulted with lawyers across the country so the Army knows they can be entrenched in litigation.”

While Army lawyers have backed off on individual cases, the overarching question about the legitimacy of stop-loss policies is unlikely to be decided by a judge, especially during a time of heightened national security. “The courts have shown themselves to be unsympathetic,” Jules Lobel, vice president at the Center for Constitutional Rights, tells me on the phone. “They want to defer to the military.”

In the end, the issue of presidential power during wartime, according to many legal experts, is best tackled elsewhere. “The proper forum is not the courtroom,” writes Evan W. Wooten, in a December 2005 *William & Mary Law Review* article, but “the floor of Congress.” **TAP**

# Why Liberalism Works

*Conservatism is in shambles; liberals have a new opportunity. But what do they stand for? Not mere high-mindedness. Liberalism is a practical strategy for a free society—and for solving the mess conservatives will leave behind.*

BY PAUL STARR

LIBERALISM IS DEEPLY ROOTED IN AMERICAN SOIL, so much so that in the years after World War II, many historians and social scientists regarded the liberal project and the American civic creed as more or less the same. The proposition that each of us has a right to “life, liberty, and the pursuit of happiness” remains as good a definition as anyone has ever come up with of liberalism’s first principle and America’s historic promise.

For some time, however, contemporary liberalism has been under political siege in the United States, and even liberals have at times appeared uncertain about what they stand for. In recent decades, national political leaders who are unquestionably liberal have often been unwilling to say so and unable to articulate a compelling public philosophy, while public-opinion surveys show that many Americans who support liberal positions do not identify themselves as liberals.

Lately, though, the right has been facing its own loss of confidence. No one, not even conservatives, doubts that conservatism is now in deep trouble: divided, uncertain of itself, and with a lot of explaining to do for the fiasco in Iraq. Yet the exhaustion of conservatism is not tantamount to a liberal revival. The Bush administration’s manifest failures and the Democrats’ triumph in the 2006 elections have created a new opening for liberal argument. The question is now whether liberals can make their case not just for specific policies and candidates but for an alternative public philosophy.

The Bush years have left America with more than just the disaster in Iraq to resolve. Conservative political leadership has failed to confront, and in critical respects has contributed to, some of our most serious long-term problems: growing economic inequality and insecurity, structural deficits in the federal budget, grave threats to the global environment, and increased hostility abroad toward the United States. America needs a different approach rooted in the inclusive, democratic partnerships that are central to the modern liberal tradition—a partnership at home built on the basis of a shared prosperity, and an international partnership in power built on the basis of a cooperative framework of security.

At its heart, the aim of the liberal project is today what it has

always been: to build a free, fair, and prosperous society. But liberalism ought never to be confused with mere high-mindedness; it calls for a practical politics, whose ways and means necessarily evolve in response to new conditions and new understandings. A readiness to confront new conditions and absorb the lessons of experience is all the more necessary in a philosophy that asks to be judged by its real effects on human freedom and happiness and the power and peace of nations. Liberalism stands not only for the principle that we all have an equal right to freedom but also for the hypothesis that this is a workable ideal, and that a politics based on liberal principles can produce the power and wealth that make a free society more than a dream.

LIBERALISM IS NOTORIOUSLY DIFFICULT TO DEFINE. THE TERM has been used to describe a sprawling profusion of ideas, practices, movements, and parties in different societies and historical periods. Often emerging as a philosophy of opposition, whether to feudal privilege, absolute monarchy, colonialism, theocracy, communism, or fascism, liberalism has served, as the word suggests, as a force for liberation, or at least liberalization—for the opening up of channels of free initiative.

As a political philosophy in the Anglo-American world, liberalism has two primary senses. In its broader meaning, it refers to the fundamental principles of constitutional government and individual rights shared by modern liberals and conservatives, though often differently interpreted by them. This tradition of *constitutional liberalism*—classical political liberalism—emerged in the 17th and 18th centuries, culminated in the American and French revolutions, and continues to provide the foundation of the modern liberal state. The classical liberals generally stood for religious liberty, freedom of thought and speech, the division of governmental powers, an independent civil society, and rights of private property and economic freedom that evolved in the 19th century into the doctrine of *laissez-faire*.

*Modern democratic liberalism* developed out of the more egalitarian aspects of the tradition and serves as the basis of contemporary liberal politics. The relationship between liberalism in these two phases has been predominantly cumulative: While rejecting *laissez-faire* economic policy, modern liberal-



ism continues to take the broader tradition of constitutional liberalism as its foundation. That is why it is possible to speak not only of the two separately but also of an overarching set of ideas that unites them.

Yet even within the Anglo-American liberal tradition, intellectuals and reformers have started from different premises about human nature, society, and history and have held different views about many matters of deep importance to them, including religion. Historically, liberalism has been defined by a shared, albeit evolving, body of political principles rather than by agreement on the ultimate grounds on which those principles rest.

One of those shared political principles is an equal right to freedom, where freedom has been successively understood during the past three centuries in a more expansive way: first, as a right to civil liberty and freedom from arbitrary power; then, as a right to political liberty and a share in the government; and finally, as a right to basic requirements of human development and security necessary to assure equal opportunity and personal dignity.

Although I have described these ideas as a series of rights, they imply corresponding responsibilities that a liberal society expects of its members, individually and collectively. Inasmuch as individuals enjoy rights to civil liberty and freedom from arbitrary power, they are responsible for their own actions and what they make of their lives.

Inasmuch as citizens enjoy a right to political liberty and a share of their government, they have the responsibilities of citizenship to make democracy work.

And inasmuch as the members of a liberal society have a right to basic requirements of human development, such as education and a minimum standard of security, they have obligations to one another, mutually and through their government, to ensure that conditions exist enabling every person to have the opportunity for success in life.

The liberal project may be defined as the effort to guarantee these freedoms and to create the institutions and forms of character that will lead a people to assume responsibility, not as an external burden imposed upon them but from a force within. This is only a preliminary definition, however, because liberties come into conflict with one another and with other interests, and there must be a way of adjudicating among them that is consistent with the deepest interests in freedom and the public good. Moreover, liberalism consists of principles not only for a just society but also for the design of a state capable of sustaining that society in a world that is far from ideal.

THIS CONCERN FOR CREATING A CAPABLE AND EFFECTIVE STATE is critical to understanding how and why liberalism works. Constitutionalism itself, and even more so a liberal constitution with its emphasis on the protection of individual rights, is a system of enabling constraints. The constraints shield individuals from tyranny, but they also strengthen the state's power to act

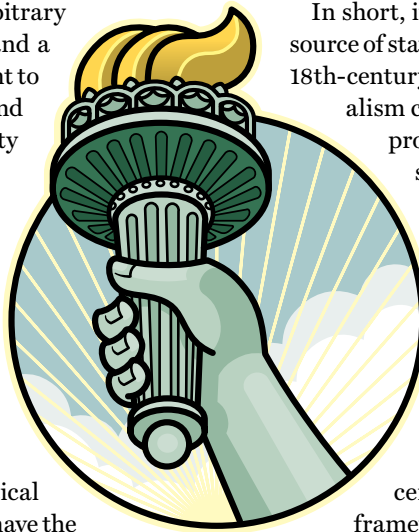
on behalf of its citizens. Checks and balances, requirements for transparency in decision making, and public accountability for performance reduce the odds of capricious, reckless, or self-interested decisions by those in power. Public discussion invites ideas and information that autocrats do not receive or are unlikely to heed. A constitutional state that observes the rule of law is more likely to abide by its promises, pay its debts, and enjoy better credit and lower interest rates. Guarantees of rights, including property rights, enable individuals to make long-term plans and investments and create a more productive economy that redounds to general advantage. Guarantees of religious freedom allow people of different faiths to cooperate under a political order that does not threaten to extinguish any of the various theological doctrines they support.

In short, it is an error to see guarantees of liberty as a source of state weakness. From its beginnings in 17th- and 18th-century England and America, constitutional liberalism contributed to the development of states that proved not only economically but also militarily successful, even when challenged by regimes more devoted to martial values.

The classical liberal tradition, however, had severe limitations. The liberalism of the 18th and early 19th centuries was not democratic in a sense we would recognize today: The majority of people—men without property, racial minorities, and women—were denied political rights and full citizenship. In the 19th and early 20th centuries, laissez-faire economics provided a framework of law and policy for industrial capitalism's dynamic growth, but it left most working people in insecurity and poverty. In the same era, while often favoring social reform at home, liberal imperialists supported Western colonialism. The resulting conflicts and disasters nearly brought liberalism to ruin. The old liberal order of limited government, classical economics, and colonialism went up in flames amid total war and the Great Depression, and fascism or communism could easily have emerged from the wreckage to dominate the world.

Modern liberalism, however, transformed its classical inheritance into a genuinely democratic politics that proved stronger and more effective in both war and peace than its critics expected. Liberals now called for true political equality for all, aimed to bring raw capitalism under control in the interests of an expanded circle of opportunity, and supported national self-determination for all peoples and new forms of cooperation among states to promote democracy, human rights, and international peace and security.

Every step of the way, conservatives objected to these movements toward a wider democratic partnership, but as of the mid-20th century, liberals had won the argument decisively and had built an electoral majority in support of it. The prevailing view in the liberal democracies held that the extension of political and social rights and economic regulation was not only just but also the basis of a more productive society. And cooperative



international organization, far from being a naive delusion, was plainly necessary to meet the twin threats posed by communism, on the one hand, and nuclear extinction, on the other.

**L**IBERALS DIFFER FROM CONSERVATIVES TODAY not just about government's proper role but more fundamentally about how to produce power and wealth and advance equal rights to freedom in the process. Liberals have insisted that government can take on broader functions without sacrificing individual freedom as long as the law provides strong safeguards against arbitrary power. Modern liberalism, therefore, calls not just for broader social protections but also for stronger guarantees of civil liberties and less government regulation of private moral life. In contrast, modern conservatism has become a combination, in varying degrees, of devotion to the free market and social traditionalism. Each side of conservatism has provided a justification of inequalities that liberalism has attempted to reduce or eliminate.

The two political philosophies offer contrasting ways of resolving conflicts among liberties. Conservatives have generally given higher priority to property rights and, accordingly, to the rights of those with property, whereas liberals have given higher priority and broader scope to other constitutional liberties and civil rights, often those of the historically disadvantaged.

Conservatives and liberals have also responded differently to a phenomenon that did not exist in the 18th century when constitutional liberalism took shape: the modern corporation. While conservatives have treated private corporations as analogous to individuals and deserving of the same liberties, liberals have regarded corporations as a phenomenon of power, needing control like government itself. The discipline of power that constitutional liberalism imposes upon the state modern liberalism attempts to impose on the corporation, albeit not in the same way.

As liberal reforms gained ground during the past two centuries, conservatives predicted that they would be morally destructive, economically ruinous, and politically suicidal, while socialist critics maintained that the socioeconomic changes advocated by liberals were merely cosmetic and would make no difference at all. Modern liberalism's historical record turned out to be better than either of these camps anticipated. With increased social expenditures, labor and environmental regulation, and other reforms, the liberal capitalist democracies became more productive, mortality as well as birth rates fell, per capita income rose, and the circle of prosperity expanded. Rather than destroying private wealth, the modern liberal state made it more secure.

In describing these changes, I do not mean to suggest that liberals from the start had a clearly developed theory guiding reforms, much less all the right answers. Rather than formulating policy from speculative axioms, reformers beginning in the mid-19th century increasingly devoted themselves to the gathering and analysis of socioeconomic data. In America, the

measures adopted during the Progressive era, New Deal, and Great Society were often ad hoc and experimental, and many failed. But partly through better knowledge, partly by trial and error, liberal governments discovered that certain forms of limited state intervention could help bring the promise of a free and just society closer to fulfillment while reducing the waste of human and physical resources and improving economic performance. Modern liberalism has never been ruled by a theory in the way that free-market conservatism and Marxian socialism have been. A pragmatic emphasis on experience and evidence—on how things work in practice—has been critical in making liberalism work.

Part of the explanation for continued economic expansion during the long rise of public expenditure in the capitalist democracies is that much of the spending has represented investment that otherwise would not have been made. The underlying principle is no different from the one that Adam Smith enunciated in writing of the legitimate role of the state in financing public works and institutions, "which it can never be for the interest of any individual, or small number of individuals, to erect and maintain ... though it may frequently do much more than repay [the expense] to a great society."

What Smith failed to anticipate, however, was how broadly this principle would apply. The development of an urbanized, industrial economy and, more recently, the increased centrality of knowledge and innovation require investments in public goods and services that only government is in a position to make. These are typically complementary to private investment, rather than competitive with it, and involve not just tangible capital assets such as roads, ports, and other aspects of physical infrastructure, but intangible assets as well such as scientific knowledge, education, and public health.

## **Much of what democratic liberalism calls for on grounds of equal rights to opportunity and security also provides a return in economic productivity.**

The general point here is that much of what democratic liberalism calls for on grounds of equal rights to opportunity and security also provides a return in economic productivity. In the United States and many other countries, universal primary schooling came on the heels of an expanded franchise. This historical connection between democracy and public education was one of the main reasons that rising taxes and public expenditures did not harm economic growth. The redistributive state turned out also to be, in critical respects, a productive, developmental state, generating wealth as well as power. If we want to know why modern liberalism has worked out economically as well as it has, this is a large part of the answer.

Moreover, social benefits such as unemployment insurance proved not only to stabilize individual incomes but also to function as "automatic stabilizers" for the economy. Because government outlays on benefits rise whenever the economy sags, social spending helps to blunt recessions and prevent a self-reinforcing

spiral of decline. Policies softening the hard edges of capitalism have created a margin of security and confidence that enables workers to cope with the uncertainties and risks of technological change and free trade. Protecting workers against sharp declines in their standard of living makes it less likely that they will turn to Luddite and protectionist responses. This, too, is part of the economic logic of liberal social policy.

Not all social spending, however, represents a means of achieving economic stability and growth or a way of ensuring equality of economic opportunity. Some of it simply transfers resources from one group to another. There have been three principled grounds for support of such policies.

The first and most basic of these is properly described as “humanitarian” and involves the relief of immediate suffering—the help we would extend to drowning men without knowing anything about them.

The second is a correlate of the extension of an equal right to political participation. Where wealth is overwhelmingly concentrated in a small oligarchy, political power is sure to follow. Popular self-government requires not that wealth and economic power be equally distributed but that they be widely dispersed.

Third, the liberal state has an obligation to afford its own citizens the equal protection of the law and to treat them with equal respect and concern. To treat people as equals does not necessarily mean recognizing their claims as identical; a disabled child, for example, may require special resources to acquire an education equal to what others receive. The same logic applies to minorities who have suffered persistent social exclusion: More public effort may be required to redress past injustices.

Against all these reasons for redistribution, the liberal project has to weigh other values. Liberalism is egalitarian in the sense that it seeks to achieve a more equal distribution of income and

because they serve both the macroeconomic aims of economic growth and stability and the egalitarian aims of social inclusion—the goal of a shared prosperity. Growth that is widely shared not only raises the standard of living of the middle class and the poor but also strengthens other liberal values. Among the good things that broadly based prosperity buys are tolerance and generosity: Economic growth has historically had strong positive effects on democratization and liberalization. In light of that relationship, the interest in rising living standards ought to be considered, not as crass materialism but rather as a means of achieving a good society in part through secondary effects on public attitudes and politics.

**B**ROADLY BASED PROSPERITY IS NOT WHAT contemporary conservative leadership has given us. Instead, America has seen a growing gap in income and wealth, not just between rich and poor but between those at the very top and everyone else, as the median-income family has failed to receive close to a proportionate share of economic growth. While preaching compassion, conservatives have favored tax cuts and other policies gratifying the appetites of the wealthy on the false premise that a winner-take-all-and-keep-all economy is the only way for the nation to prosper.

Nowhere have the claims of contemporary conservatism proven more hollow and misleading than in foreign policy and defense. Conservatives have cultivated an image of being tough and realistic, ready and willing to use military force to advance America’s interests. But rather than augmenting American power, they have recklessly dissipated and degraded it.

The mistakes and malfeasances of recent years have not been the idiosyncratic follies of George W. Bush and Dick Cheney.

The conservative movement has long agitated for just what this administration has given them: the unilateral assertion of American power abroad and the unilateral assertion of executive power at home.

Externally, the unilateralist impulse has swept aside international alliances, law, and institutions; internally, it has swept aside constitutional checks and balances.

Multilateralism and separation of powers are mechanisms of obligatory consultation, and the same logic underlies them. By enlisting cooperation and reducing the odds of impulsive and narrowly self-interested decisions, consultation with other branches of government and with international allies contributes to a democratic state’s power as well as its responsible use. These ideas, particularly about separation of powers, are not entirely alien to conservative philosophy. To the conservative American unilateralist, however, the system of international institutions merely provides the weak with ways to limit the strong, and thereby undercuts America’s great and wholesome power. To the liberal internationalist, in contrast, these mechanisms function like internal checks and balances as enabling constraints—they create legitimate and effective power even as

## **Conservatives have cultivated an image of being tough and realistic, but rather than augmenting American power, they have recklessly dissipated and degraded it.**

well-being than would otherwise be generated in the marketplace. But it is not committed to achieving a perfect equality in the distribution of goods. Equity requires that those who work harder, take greater risks, or develop their talents to a higher degree be able to recoup a return from their efforts. This incentive is critical to innovation and prosperity, which redound to wider benefit. Liberalism regards the well-being of the least well-off as a central criterion for a just society, and it seeks to provide individuals with some degree of protection against risks beyond their control; but it accepts inequalities insofar as they are to everyone’s long-run advantage, and therefore aims for sustainable growth with widely shared gains. The pragmatic disposition of liberalism also implies that policies cannot be derived from moral principles alone, without regard to empirical realities. Experience shows that governments can bring about some results more readily than others.

These considerations tend to lead democratic liberalism in the direction of policies that are dual-purpose: justifiable



they limit it. They foster shared expectations that enable states to cooperate with each other. And the United States, the dominant force in multilateral institutions, has more to gain than to lose from the order they can help establish.

As the world's greatest power, the United States has exceptional leverage in shaping the rules and institutions of the international order. The liberal alternative to assertive nationalism and neoconservatism is not to abandon power for cooperation but to seek additional power and security through a system of partnerships with other countries. That system, moreover, is best founded on the basis of social partnership at home. It is far easier to sustain public support for trade and cooperation with other countries if a nation's own citizens feel that they share in its prosperity and that the good being pursued by the government includes what is good for them.

SHREWD AS THEY WERE IN ACHIEVING POLITICAL POWER, THE Republicans of the Bush era have shown little of that genius in using it. A conservatism that does not want to hear about inequality or the sinking fortunes of the middle class, or about dangers to the global environment, or about unsustainable fiscal policies, or about gaping flaws in plans for war, may prevail in the short run, but the realities will sooner or later make themselves felt, as they did in 2006. A great nation cannot long be governed by wishful and simplistic thinking, denial, obfuscation, and deceit. Costs mount, grievances accumulate, and there comes a reckoning.

The conservative default is liberalism's opportunity—an opportunity to rebuild a political majority by showing how liberal ideas make sense for America and by reopening a conversation with people who believe that liberals have not shown any concern or respect for them. At the heart of any such effort must be a program for shared prosperity to counter the trends toward rising inequality, insecurity, and stress on working families. But no politics can live on bread alone; the public's concerns are inextricably moral and material. Anyone who worries about the institution of marriage, for example, ought to be receptive to changes in employer policies, the availability of preschool education, and other reforms that would help parents meet their obligations at work and at home. And anyone who favors those reforms ought to make the argument that they are good for stable marriages.

Liberals ought to contest conservatives for the very ground the right claims as its own: morality and patriotism. What is the protection of the global environment if not a moral concern? What are efforts to preserve constitutional liberties if not a patriotic devotion to the true basis of America's greatness? Liberalism should appeal for support on the straightforward basis that conservative economic policies do not serve the interests of the great majority of people. But liberalism ought to do more than that; it ought to remind us of our responsibilities and the power of our traditions and call us to greater interests and purposes than our own.

Nothing has to be reinvented, yet everything has to be reimagined. Constructive ideas for new policies are not wanting, but liberals have to think differently about what those policies are about and how they can be achieved. The era of single-issue progressive causes, each agitating—and litigating—separately, is finished. Liberals have to make the case for progressive policies on the basis of the nation's shared interests and common future. National crisis has in the past often supplied the sense of a common citizenship and the imperative demand to put the greater good ahead of one's own. The task of political leadership now is to evoke that same sentiment: “We are all in this together.” This is the work of rebuilding a democratic partnership at home that includes working- and middle-class families, and a partnership with other liberal democracies in defense of our common values and security.

In much of the world, the liberal project is still the creation of constitutional democracy, and liberalism remains an intellectual tradition without deep social and historical roots. But in the United States, the idea that everyone enjoys an equal right to life, liberty, and the pursuit of happiness is part of the national tradition. The story of America is of a nation that has grown greater and stronger by becoming more diverse and inclusive and extending the fruits of liberty more widely among its people. American liberals do not have to invent something new or import a philosophical tradition from abroad. They have only to reclaim the idea of America's greatness as their own. **TAP**

*Paul Starr, from whose new book Freedom's Power: The True Force of Liberalism this article is adapted, is founding co-editor of The American Prospect and professor of sociology and public affairs at Princeton University.*

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# Culture & Books

*"Europeans are becoming habituated to living in dual states, 'real' citizens side-by-side with poorly assimilated immigrants ..."*

— PAGE 47



**That's Gangster, Not Gangsta:** Tough guy song-and-dance man Antwan Patton of OutKast, in the genre-collapsing period piece *Idlewild*.

## MEDIA

### HOLLYWOOD RECLAIMED

*The old studios left blacks out of their gangster films, musicals, and myths. Now, black filmmakers are appropriating those myths as their own.*

BY CHARLES TAYLOR

THE TITLE OF GAYLE PEMBERTON'S essay "Do He Have Your Number, Mr. Jeffrey?" comes from an off-screen line in Alfred Hitchcock's *Rear Window*. The speaker was a babysitter, but the character's infantile drawl—the old stereotype of black people as dawdling, servile simpletons—makes her sound as if she could use a babysitter herself. The 1991 essay is, among other things, about what it means to be a black fan of classic Hollywood movies. Pemberton isn't a breathless, gushing movie

buff. Hers is a canny love, beneath which lies the needling reminder of a history that stereotyped and demeaned black characters more often than it treated them straight, and that mostly just plain ignored black performers.

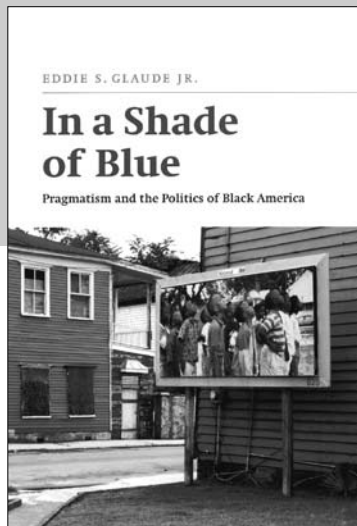
That's the history Bryan Barber's extraordinary musical, *Idlewild*, sets out to rewrite. Starring André "André 3000" Benjamin and Antwan "Big Boi" Patton (who make up the hip-hop duo OutKast), the picture, set in Depression-era Georgia, pulls as much classic American movie

iconography as it can manage into its generous, loving grasp and sends it back to us with a black face. In its messy, eager fashion, *Idlewild* wants to create the black Hollywood glamour that never was, the first-class black musicals and gangster films and love stories no one ever made—all in one picture. No American movie last year conveyed more joy, more life, more affection for its characters.

It's a terrible irony that a movie standing in delirious opposition to a history of ill-use should suffer the same fate. Kept on the shelf for two years by Universal, which had no idea how to sell it—a real failure of imagination, since OutKast was becoming ever-more popular in that time—*Idlewild* was finally tossed into theaters during the dead days of late August 2006, traditionally a dumping ground for the films that fall between the summer blockbusters and the autumn prestige releases. It played



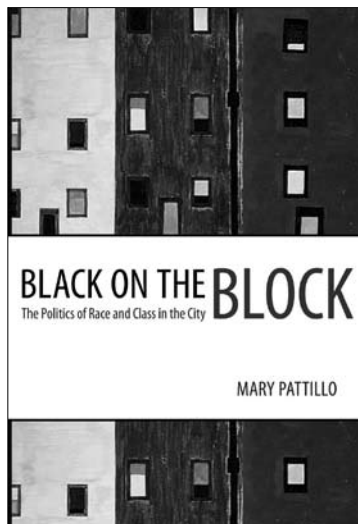
# BLACK POLITICS



## In a Shade of Blue

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for a few weeks (it's now available on DVD) and garnered some of the most clueless reviews in recent memory, the worst example of the obtuseness with which American film critics have greeted the African American movies that have emerged in the last few years.

*Idlewild* pulls a conscious racial switcheroo, populating its medley of familiar film genres with an all-black cast. The racial switch in the other recent black movies, far less fanciful than *Idlewild*, is only partly about race. At root, these films are a reminder of the primary pleasures of story, character, and acting. They are also an implicit rejection of the smartass knowingness that is our current armor against emotion, and of the reduction of mainstream movies to spectacle and merchandising opportunities.

To say that even the best of these movies—*Barbershop*, *Drumline*, *Mr. 3000*, *Something New*, and the hugely enjoyable teen-romance *Save the Last Dance*—are a big deal would be to inflate their pleasures. But there's nothing cynical or jaded or embarrassed in their desire to connect with an audience. At root, these movies are something we've all seen: stories of the little guy overcoming adversity, or of people who've been looked down on fighting their way to self-respect. Often, as in Tim Story's *Barbershop*, a film about a South Side Chicago family man torn between trying to make his own way and honoring his family heritage and his community, these pictures mix up-by-the-bootstraps traditionalism with old-fashioned liberalism that acknowledges the social forces and human ignorance that impede people.

What's new about these movies is that they may be the first time black audiences have gotten to see familiar Hollywood scenes and stories acted out by anyone who looks like them. Some of these films have gotten good reviews. But with more and more releases churning through the theaters faster and faster, critics sometimes seem to be reviewing the hype (or lack of it) instead of the movie itself. And

as the number of jobs for critics declines, the pressure on critics not to ruffle the notions already formed by prerelease publicity increases.

*Coach Carter*, for instance, with Samuel L. Jackson as a high-school basketball coach who ties his young players' chance to play ball to their academic performance, isn't an important movie, or an original one. But it's not a false one, either. Reading the film's reviews, I couldn't help thinking how the critics failed to take into account what the movie might mean to the audience I saw it with, a school group of black teen-



**Cliché Renewed:** Ben Vereen (right) and OutKast's André Benjamin do the father-son thing in *Idlewild*.

agers from the Bronx. The kids were sucked in by the movie's melodrama; they cheered and laughed. That doesn't make *Coach Carter* a good movie. But if we still believe that movies can be vehicles for the fantasies and aspirations of its audience, then that has to be part of the critical discussion, too.

I'm not arguing that critics who have panned any of the new black movies are racists, or that critics should start reviewing intentions. But we need to show we're at least aware of those intentions. And so far, at least in the overwhelmingly white critical establishment, that hasn't happened.

NONE OF THE RECENT BLACK MOVIES have been treated as uncomprehendingly as *Idlewild* was. The critical line was that the movie was a mishmash of clichés, veering so wildly from backstage musical to gangster melodrama to love story that it never settled on one genre. I'm embarrassed to have to point



out that the movie's confusion of genres is deliberate: *Idlewild* is the sort of picture in which a Bible carried in a breast pocket stops a bullet; in which a bootlegger leans out of a racing Packard firing a tommy gun; and in which characters say lines like, "You've got songs the whole world needs to hear." Did critics think Barber wasn't aware of the clichés?

In Pemberton's essay, she writes that her mother, from whom she inherited her love of movies, rejected the black imitations of A-list pictures that were made for less than peanuts and played the movie equivalent of the chitlin' circuit. In love with the glamour of Hollywood, Pemberton's mom wanted the best. That's the glamour Barber wants to give audiences here. Few recent movies have looked as ravishing. Cinematographer Pascal Rabaud gives the burnished golds, deep browns, and hothouse reds of *Idlewild* a deep, inner glow. Barber may hate the way blacks were excluded from Hollywood's golden age, but he loves the movies those years produced. What comes through is the spirit of 1930s movies (particularly pre-code movies), the mixture of toughness and naïveté, the willingness to both crack wise and jerk tears.

*Idlewild* follows the lifelong friendship between Rooster (played by Patton) and Percival (Benjamin). Rooster, the perennial bad boy who inherits a nightclub from his bootlegger uncle and gets in Dutch with the gangster Trumpy (a sleek and scary Terrence Howard), can't stand the thought of losing his wife or his kids, but he can't resist the carnal temptations that nightlife offers him. Percival is the polite mortician's son who dreams of being a composer and plays piano in Rooster's nightclub, falling in love with the club's new singer, Angel (Paula Patton, who has a melting movie-star beauty).

The old movie conventions—the clinches and the fistfights, the sexy backchat and the melodramatic confrontations, the curvy chorus girls who make men moan and the pinstriped thugs who make men suffer—are all presented straight, as if we shouldn't have to be embarrassed to admit being entertained by them. And since that movie world is already such a fantasy place, it's entirely

believable when the film segues into the fantastic on a dime: Notes on a musical graph turn into stick figures playing cops and robbers; a wall full of cuckoo clocks act as Percival's backing chorus; an embossed rooster struts across Rooster's silver flask, squawking boasts and encouragement like its owner's id.

The movie, however, isn't only fantastical. The details of black middle-class life—and lowlife—recall the glimpses we get of black communities from the 1930s and '40s in the photography of Charles "Teenie" Harris and Henry Clay Anderson. *Idlewild's* strongest link to the real world comes from two of its performers, Ben Vereen (as Percival's stern father) and Cicely Tyson (as a homeless grandmother in a scene that has the emotional intensity of a great silent film). Two great talents who never had the movie careers they should have, Vereen and Tyson serve

as a reminder of what Hollywood's exclusion of blacks has cost.

What makes *Idlewild* so expansive and joyous isn't just the mashup of genres and conventions but the rejection of the idea that black audiences and performers should turn their backs on a tradition that turned its back on them. That way lies nothing but a morally superior form of segregation. In a movie so in love with movies, it makes perfect sense that Paula Jai Parker, as Rooster's girlfriend Rose, keeps a gelatin silver glossy of Jean Harlow on her mantle. Barber and the cast are saying of our shared movie past, "This is our history, too." **TAP**

*Charles Taylor is a columnist for The (Newark) Star-Ledger. His writing has also appeared in The New York Times, Newsday, The New Yorker, the Los Angeles Times, and other publications.*

## BOOKS

# THE EUROPEAN DILEMMA

**INFIDEL** BY AYAAN HIRSI ALI Free Press, 368 pages, \$26.00

**MURDER IN AMSTERDAM: THE DEATH OF THEO VAN GOGH AND THE LIMITS OF TOLERANCE** BY IAN BURUMA Penguin, 288 pages, \$24.95

BY STEPHEN HOLMES

THE WORLD CAME TO KNOW AYAAN Hirsi Ali as a result of the murder of Dutch filmmaker Theo van Gogh, with whom she had collaborated on a film holding Islam responsible for the battering and humiliation of Muslim women. In November 2004, a Moroccan Dutch Islamist named Mohammed Bouyeri shot van Gogh in a street in Amsterdam, slit his throat, and pinned to his body a death threat against Hirsi Ali, who was already a highly visible member of the Dutch parliament despite having arrived in the Netherlands as a Somali immigrant only 12 years earlier. Now living in the United States, she has been alternately celebrated and excoriated on both sides of the Atlantic as an uncompromising critic not only of Islam but also of multiculturalism, which she contends is mistakenly tolerant of the

Muslim world's endemic benightedness and cruelty.

Bouyeri's murder of van Gogh and the emergence of Hirsi Ali as a magnetically appealing and inflammatory international celebrity have crystallized a debate among liberally minded Europeans about what their societies ought to do in response to the growth of poorly assimilated Islamic immigrant communities. In contrast to those who call for tolerance of religious and cultural diversity, Hirsi Ali urges Europe to launch a frontal assault on Islam's seemingly inherent misogyny.

Hirsi Ali argues that the fable of the Prophet Muhammad's infallibility keeps alive an outmoded warrior ethos characteristic of a 7th-century Arab tribal culture and consequently authorizes both violence against women and the

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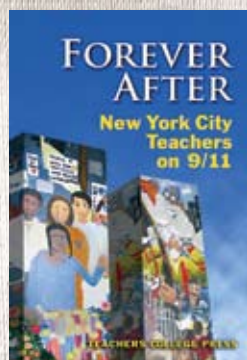
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punishment of apostates with death. In Hirsi Ali's view, adherence to "true Islam" is "irreconcilable with a secular liberal state," and even incompatible with a willingness to share the planet with non-Muslims. She interprets the events of September 11, which triggered the loss of her residual faith in the existence of God, as an authentic expression of Islam. And today her political mission is to cajole Europe's Muslim immigrants into reforming what she provocatively calls their "backward" religion.

Two new books, Hirsi Ali's memoir, *Infidel*, and *Murder in Amsterdam*, by the Dutch English writer Ian Buruma, help us make sense of the events in the Netherlands and the wider controversy over Islam in Europe. Through a series of character sketches, Buruma's book circles outward from the murder of van Gogh and provides a novelistic exploration (Joseph Conrad's *The Secret Agent* comes to mind) of how Holland, once virtually a "playground of multicultural utopianism," turned into a savage crime scene.

Bouyeri himself appears as a radical loser on welfare, one of those "desperadoes who imagine themselves as part of a small elite, blessed with moral purity, surrounded by a world of evil." In their film *Submission*, van Gogh and Hirsi Ali had shown verses from the Koran justifying misogynist violence projected onto a female body, implying that religious texts impel Muslim men to "write" male superiority on women in the language of wounds and bruises. Bouyeri was apparently responding to this film when he "wrote" Islamic superiority on van Gogh's body by pinning to it the death threat against Hirsi Ali.

Bouyeri and Hirsi Ali, Buruma remarks, represent "two different visions of the universal, one radically secular, the other radically religious." Whereas the young Dutch Moroccan man wants to awaken the sleeping Muslims, the young Dutch Somali woman wants to awaken the sleeping Europeans. In exploring such parallel lives, Buruma is not being impartial toward a murderer and his real and potential victims, as some intemperate critics have recently alleged; he

is simply trying to make sense of these and other psychologically complex, often tortured, characters.

Hirsi Ali's *Infidel* is the vivid story of her own voyage to escape bigotry and violence, moving "from the world of faith to the world of reason," as she came to see it. Instead of fantasizing, like Bouyeri, about a super-harsh father figure (Allah) who could humiliate the proud West, she fled to Europe to escape her real father's stifling demands. And whereas Bouyeri came to see the West as frustration and Islam as salvation, she came to view Islam as a cage and the West as liberation.

The daughter of a Somali resistance fighter, Hirsi Ali was brought up partly in Saudi Arabia, Kenya, and Ethiopia—an itinerant life that exposed her to many varieties of cultural prejudice and loosened the hold of the parochial customs of her native land. Although she claims to have become an ardent individualist and a believer in personal responsibility, she does not seem to blame her grandmother for inflicting genital mutilation on her when she was 6 years old, viewing this bit of primitive cruelty as the action not of her grandmother, really, but of the premodern culture that inhabited most Somali women of her grandmother's generation.

When Hirsi Ali arrived in Europe, escaping an arranged marriage and thereby breaking dramatically with her father, she was shocked to experience firsthand the gaping divide between Islamic and non-Islamic societies. To her, the most obvious difference was that the so-called House of War (the nonbelieving West) was not "soulless," as she had been warned, but prosperous, welcoming, and basically at peace, whereas the House of Islam remains mired in poverty, cruelty, inequality, and bloody conflict.

Although her decision to run away was wholly individualistic (inspired, she says, by the romantic heroines of "trashy" novels), she managed to survive thanks largely to the collectivist efforts of a Dutch welfare state that generously stipend to an unknown runaway from Africa. This palpable dependency of individual freedom on social resources

managed by a government provides a lesson that might usefully be contemplated by her free-market colleagues at the American Enterprise Institute, where she currently works.

For Hirsi Ali, the supremacy of reason means that a Muslim woman today who is told to subject her 6-year-old daughter to genital excision should not kneel before authority, but rather use her own head and ask if this is really a good idea. Hirsi Ali says her aim is to find “other women held captive in the compound of irrationality and superstition” and convince them “to take their lives into their own hands.” To this end, she speaks passionately about the dark side of multiculturalism, which she believes has “reinforced the immigrants’ urge to build enclaves.” And she argues fiercely against the idea of “elevating cultures full of bigotry and hatred toward women to the stature of respectable alternative ways of life.” This tolerance, she contends, will needlessly and painfully prolong the transition to modernity in immigrant communities. To those who warn that her uncompromising attitude risks alienating a potentially receptive audience, she retorts that secular liberals who express chronic uncertainty about the superiority of their own ideals will never compete successfully with religious extremists for influence over the minds of confused young European Muslims. It is simply incoherent, she argues, to affirm both the freedom of the individual from traditional authority and the right of immigrant subcultures to smother individuality (especially of women) in the name of traditional authority.

**B**URUMA, FOR HIS PART, DISAPPROVES of European politicians who pretend that Muslim immigration is not a problem and refuse to discuss high crime rates in Muslim communities. He agrees, as a matter of principle, with much of what Hirsi Ali stands for. While he too thinks that it is futile to speak sweet reason to inflamed zealots, and that the

sexual mutilation of children and honor killings cannot be justified religiously or in any other way and should be punished as crimes, he disagrees both with Hirsi Ali’s most rhetorically prominent explanation of the problem and her recommendation for what to do about it.

What causes violent extremism? Hirsi Ali focuses attention on Islam itself, with its premodern worldview seemingly frozen in its unalterable sacred texts. Buruma answers plausibly that the Koran didn’t cause Bouyeri to kill van Gogh any



**No Compromise:** Ayaan Hirsi Ali says cultures full of bigotry toward women shouldn’t be tolerated.

more than *Das Kapital* caused Stalin to create the Gulag. Honor killings, forced marriages, and female genital mutilation are the vestiges of rural, village, and tribal culture, not of Islam per se.

Moreover, Buruma argues, young Berber men from the Rif Mountains in Morocco, if compelled to transit practically overnight from a strictly regulated society to a freer and more open one, may suffer a partial disintegration of personality, causing them to clutch at certainties and to attribute their inner torment to a scapegoat such as “the West.” To state flatly, as Hirsi Ali sometimes does, that a radical interpretation of Islam causes extremist violence is to ignore plentiful evidence that young immigrants whose ambitions are blocked are *drawn* to radical interpretations of Islam that

promise to make sense of their existential rage, suggesting that Islamist beliefs are as much a symptom as a cause.

Why have many Islamic immigrants failed to integrate successfully in countries such as Holland? Hirsi Ali focuses on postcolonial guilt, moral relativism, and the melting away of European self-confidence. Pim Fortuyn—the anti-immigrant gay Dutch political leader who was assassinated by a non-Muslim in May 2002—held much the same view, declaring that the Dutch had become “too tolerant of intolerance.” Buruma answers that technology, especially the satellite TV that beams Arabic- and Turkish-language programming into immigrant neighborhoods, has as much to do with the failure of integration as the purportedly excessive tolerance of Europeans toward Muslims. Persuading European authorities to become less hospitable toward Islamic practices that violate elemental principles of Western individualism will do nothing to reverse the revolution in global communication and travel that has made cultural integration more difficult than it was before.

Moreover, when Buruma describes the Dutch attitude toward Muslim immigrants as “an odd combination of charity and indifference,” he is suggesting that European tolerance for the alien habits of immigrants has less to do with meek cultural relativism than with its opposite: a residual arrogance about the cultural, if not racial, superiority of Europeans. In the age of colonialism, Europeans were never overly concerned about the moral life of natives, and they seem to have imported this colonial laissez-faire back into the heart of a democratic society.

In her fine print, if not in her headlines, Hirsi Ali acknowledges many of these complexities. For example, after saying that the kind of thinking she observed “in Saudi Arabia, and among the Muslim Brotherhood in Kenya and Somalia, is incompatible with human rights and liberal values,” she adds, “It preserves a feudal mind-set based on tribal concepts of honor and shame.” Similarly, when discussing how her female Moroccan friends in Holland would rail about





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humiliation by the Dutch without mentioning the violence they suffered at the hands of their husbands, she diagnoses anti-Dutch feeling as "really a comfort mechanism, to keep people from feeling personally inadequate and to externalize the causes of their unhappiness." Furthermore, her descriptions of everyday life in Somalia and Saudi Arabia and at her multidenominational school in Nairobi thoroughly corroborate Buruma's point that Islam is highly variable in practice. Nevertheless, Hirsi Ali relentlessly presses the case that Islam is grimly uniform in some respects, such as its insistence that women cannot marry without the approval of a parent or guardian. Her general point seems to be that Islam has an inherent tendency to keep alive premodern traditions that are incompatible with peaceful adaptation to a modern society.

Perhaps the most important difference between Hirsi Ali and Buruma lies in the latter's belief, following the French political scientist Olivier Roy, that the only way forward is for Islam to be fully accepted as a European religion.

*Buruma believes that attacking Islam is not the answer. The majority of Europe's Muslims won't follow Hirsi Ali into outright atheism.*

Buruma is noncommittal about the claim of some moderate members of the Dutch Muslim community that "only properly organized religion will stop young men from downloading extremism from the Internet," but he wants to avoid making Islam itself responsible for the disappointments of Muslim integration in Europe, because the majority of Europe's Muslims are not going to follow Hirsi Ali into outright atheism. This is what leads Buruma to conclude: "Attacking religion cannot be the answer, for the real threat to a mixed society will come when the mainstream of non-revolutionary Muslims has lost all hope of feeling at home."

One of Hirsi Ali's reiterated themes is that well-meaning Europeans frequently hesitate to criticize Islam "for fear of being

called racist." Buruma is more troubled than Hirsi Ali is about the unintended political consequences of eradicating such a fear. Indeed, he worries, not unreasonably, that her version of the Enlightenment has been brazenly converted into a weapon of the racist right, which opportunistically paints its xenophobia with a veneer of universalism. Something of the sort happened during the "cartoon intifada," when anti-immigrant activists with scant interest in freedom of the press invoked that liberal ideal to justify their "right to insult others on the grounds of race or creed." Hirsi Ali argues that the anti-racism of western Europeans, a lesson painfully distilled from the Nazi cataclysm, has prevented them from recognizing the threat posed to European values by unassimilated Muslim immigrants. It is no reflection on her motives to point out that her high-minded criticism of anti-racism and her plea for Europeans to stand up and "fight" for their civilization have inevitably appealed to people who refuse coexistence with Muslim immigrants on much cruder and more emotional grounds.

One of the most fascinating of Buruma's characters is Fortuyn, the outspoken critic of Islamist homophobia and sexism, the "populist who played on the fear of Muslims while boasting of having sex with Moroccan boys." Fortuyn's spectacular political success, Buruma suggests, was due to his willingness to listen sympathetically to the hate raging in the hearts of the Dutch against Moroccan and Turkish immigrants. Political entrepreneurs of hate do not strike Buruma as particularly worthy heirs to the tradition of Spinoza, however, even if the source of their "venom" is that they have only recently and "painfully wrested themselves free from the strictures of their own religions" and cannot stand the thought of restarting that particular struggle from scratch.

The leader of the party founded by Fortuyn, Buruma adds, “saw Islamic and Western civilizations at war on Dutch soil.” That a clash of civilization is also heartily endorsed by Islamist extremists should make us sit up and take note. Rather than signaling an admirable willingness to defend the Enlightenment against its enemies, eagerness to participate in such a clash implies a wholesale abandonment of one of the Enlightenment’s main pillars—namely, the overcoming of collective punishment or group-on-group revenge by the strict individualization of culpability. The Islamophobia of the European right is obviously no less tribalistic than the Islamists’ hatred of the West. Although the tribalization of the Enlightenment by European xenophobes clearly distresses Buruma, it does not even interest Hirsi Ali.

One comes away from these two remarkable books suspecting that neither compromise nor confrontation will do much to avert the coming train crash between a resentful minority of indigenous Europeans and a potentially violent minority of young men among the millions of Muslims now permanently residing in Europe. Various scholars have published statistics suggesting that the slow but successful integration of Europe’s Muslims is already under way. But Buruma and Hirsi Ali do not leave their readers feeling so complacent. Read together, their books suggest that no simple formula will work—neither Western chauvinism nor multiculturalism, neither assailing Islam as “backward” nor offering Muslims a perhaps insincere and therefore erratic respect. Accommodations may whet the appetite of the radicals, whereas a refusal to make accommodations seems bound to drive more young men into the radical camp. Perhaps Europe needs politicians who can artfully shift back and forth between adherence to principle and accommodation to diversity as each case demands. If such wise and skillful leaders do not appear sometime soon, the long-term consequences of current trends may prove impossible to manage peacefully.

One might even argue that, in today’s Europe, the Enlightenment ideal of universal citizenship is already dead.

Europeans are becoming increasingly habituated to living in dual states, where “real” citizens live side by side with poorly assimilated immigrants who (in the minds of the majority) will never become full-fledged members of the community. This may not be a clash of civilizations destined to evolve into violent confrontation, but it is a

profoundly disquieting moral crisis, which these two original and stimulating books invite us to ponder. **TAP**

*Stephen Holmes is a professor at New York University Law School and the author, most recently, of The Matador’s Cape: America’s Reckless Response to Terror.*

## BOOKS

# THE GREAT DIVIDER

**A DIVIDER, NOT A UNITER: GEORGE W. BUSH AND THE AMERICAN PEOPLE, THE 2006 ELECTION, AND BEYOND** BY GARY C. JACOBSON Longman, 192 pages, \$14.60

**THE AMERICAN POWER STRUGGLE: THE TRANSFORMATION OF AMERICAN POLITICS** BY EARL BLACK & MERLE BLACK Simon & Schuster, 304 pages, \$26.00

BY MATTHEW YGLESIAS

WITH GEORGE W. BUSH AND THE Iraq War currently mired in unpopularity, it’s striking to recall that as recently as two years ago one could get a serious hearing for the proposition that Bush’s 2004 reelection heralded the dawn of a new era of GOP political dominance. Liberals have thus far resisted the temptation to respond in kind, but if the Democrats recapture the White House in 2008 and, as seems likely, make at least small gains in the Senate, gleeful triumphalism will not be far behind. For the moment, however, the Democrats’ revival and the return of divided government have mostly served to reconfirm the conventional wisdom of six years ago that the American electorate is sharply divided between the two parties.

A book dedicated to the proposition that Bush has been a divisive, polarizing president does not, therefore, sound all that promising as an innovative work of political analysis. Still, *A Divider, Not a Uniter*, by political scientist Gary C. Jacobson, shows that the conventional wisdom in this case is right. Even better, Jacobson does us the favor of operationalizing the concept of polarization so that we can see not only that the claim about Bush’s polarizing impact is

true but *what*, exactly, is true about it.

In many ways the public is less substantively divided today than it was a generation ago, when both white supremacy and black nationalism had substantial followings and there were repeated instances of political violence. Nevertheless, Americans have become more divided along lines of partisanship, and they are especially polarized over Bush personally and the policies identified with him. All presidents, of course, are generally best liked by their co-partisans and least liked by members of the other party, with independents in between. As Jacobson shows in his historical tables, however, Bush’s average partisan approval gap is larger than that of any of his predecessors.

Even more noteworthy, however, is the rapidly changing *size* of the gap. Traditionally, the tendency has been for presidential approval among co-partisans, independents, and supporters of the opposition to move roughly in tandem. All three groups support the president at different *levels*, but they move up and down in response to events in parallel. For recent presidents, this pattern has begun to erode, and during the Bush administration, it’s been strikingly hard to discern.

The Bush years have seen spectacular swings in overall presidential approval. Having entered office after losing the popular vote, Bush was an unusually unpopular first-year chief executive from the day of his inauguration. He was, however, enormously popular (to the tune of an 89 percent approval rating) with his fellow Republicans. Over the next nine months, his rating slowly declined among Democrats and independents, but not at all among Republicans. When September 11 shot Bush's approval to sky-high levels, Republicans—who could hardly have become any more positive than before—barely budged. By November 2001 the president's approval among the public as a whole began a mostly steady decline, but the decline came almost exclusively among Democrats and independents, while Republicans stayed loyal. Similarly, Jacobson demonstrates that during the Bush years, Democrats and Republicans have given sharply divergent answers not only to questions of opinion but also to factual questions about their assessment of

the economy, supposed evidence of Iraqi complicity in 9-11, and so forth.

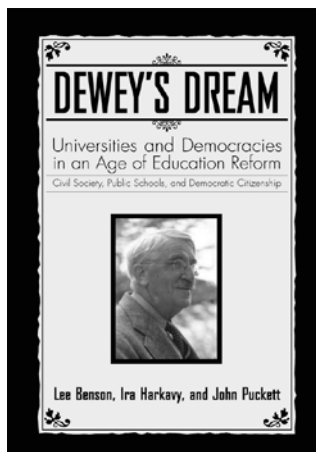
Jacobson's exhaustive defense of what appears to be merely a cliché is valuable precisely because counter-clichés are always lurking in the weeds. For years one popular narrative in the highbrow press has described conservative disgruntlement with Bush, whose willingness to embrace high levels of public expenditure and a substitution of messianic militarism for traditional realism are said to have turned off many conservatives—many conservative *intellectuals*, perhaps, as several books have been written on the subject, but a historically tiny number of actual voters. Judged by his massive level of support among self-identified Republicans, Bush should, by past precedent, have cruised to a crushing electoral victory. Instead, he squeaked out a narrow win in which Democrats voted overwhelmingly against him and independents, in small numbers, did as well.

The weakness of Jacobson's book, ultimately, is not the relative banality of its

thesis but the paucity of explanation it offers. The author provides an exhaustive compendium of data that anyone wishing to write about the politics of the Bush years should consult, but the book presents little in the way of an argument about why this is happening or what it means. Jacobson makes a gesture toward Bush's divisive governing style, and another one to the rise of partisan media outlets, but he also notes that Bush represents an extreme point on a fairly continuous trend toward greater levels of polarization. Even Bill Clinton, who self-consciously sought to differentiate himself from the Democratic base and who passed a number of genuinely bipartisan pieces of major legislation, was an extremely polarizing figure when judged by historical standards.

A BETTER PLACE TO LOOK FOR THE causes of polarization might be the regional realignment of American politics in the wake of the Civil Rights Act, the subject of Earl and Merle Black's *Divided America*, which looks at how

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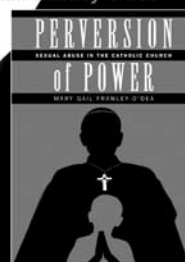
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“national political power is built up from local, state, regional, and sectional bases of support.” Perhaps contemporary partisan polarization isn’t so hard to explain—why shouldn’t Republicans like Republican presidents while Democrats detest them?

The mysterious thing about America is that this wasn’t always so. The reason—or at least a big part of the reason—is that, famously, partisanship used to have only a weak correlation with ideology. America produced the polarized politics that is the natural state of two-party systems only after conservative white southerners entered the Republican Party in droves, northern progressives abandoned it, racial minorities solidly lined up with the Democrats, and traditionalist white Catholics became fully assimilated and began voting like traditionalist white Protestants.

Unfortunately, Black and Black’s take on all this is not especially enlightening. Their thesis—the South and the Plains are Republican, the Northeast and the Pacific Coast are Democratic, the Midwest is divided—is, like Jacobson’s, almost laughably banal. But while Jacobson’s book backs up a disputable piece of conventional wisdom with convincing evidence, the Blacks’ efforts to provide an empirical basis for what everyone already knows do more to undermine their theory than to support it.

The Blacks are the authors of the widely respected study *The Rise of the Southern Republicans*, and the sections of their new book dealing with the South and related topics are quite interesting. As they cross the Mason-Dixon Line, however, their analysis tends to get slipshod. They attribute the Democratic leaning of the Northeast, for example, to the “racial, religious, and nationality groups that comprise its highly urbanized population,” the long experience of the region’s Democrats in “constructing and maintaining coalitions based on highly diverse social groups,” and the presence of large cities such as New York, Boston, and Philadelphia.

There’s obviously something to that, but it misses a crucial point: Large, racially diverse cities in *all* regions of the

country vote Democratic. What makes the Northeast noteworthy is that white, rural states—such as Vermont, Maine, and increasingly New Hampshire—do so as well.

More to the point, the broader logic of regionalism appears questionable in many respects. If you want to understand the political dynamics in, say, Las Vegas, you should look at a whole class of high-growth Sun Belt cities with large Latino populations, including Houston, Phoenix, and Los Angeles.

*The political system is surprisingly dynamic. After all, California flipped from Republican to Democratic stronghold in very little time.*

You don’t want to be told that Vegas, like Phoenix, is part of the “Mountains/Plains region” along with rural Utah, Omaha, and Fargo, whereas Los Angeles is in the “Pacific” and Houston is part of the “South.”

The impulse to describe American politics in regionalist terms is an understandable reflex for authors who’ve specialized in the political history of Dixie, and it well suits the recent preoccupation with red states versus blue states. As is well known, however, when you bore down to the county level, there is little evidence of kinds of *states*, as opposed to kinds of *places*. College towns, cities, and the inner suburbs of very large cities tend to vote Democratic; less-populated, whiter places tend to vote Republican. The state-by-state aggregates matter, of course, because that’s how electoral votes and Senate seats get parceled out. For analytic purposes, however, the point is that Illinois contains a giant city and Indiana does not—not that Hoosiers, as such, have some characteristics of Republican-ness that demographically similar residents of Illinois lack.

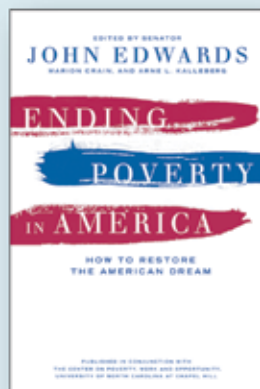
Following this thinking all the way up to the regional level makes the reasoning still less illuminating. To say that Alaska belongs in a Pacific region along with Washington, Oregon, California, and Hawaii does nothing to enhance our understanding of the politics of any of

those places. Worse, the regional frame winds up obscuring what’s actually happening in American politics. The Blacks’ conceit is that both parties start with their regional bases and then fight it out in “The Divided Midwest.” That’s true, but the South contains the closely contested (albeit, in demographic terms, not entirely southern) state of Florida, whose decisive role in recent American politics is not exactly obscure. What’s more, the image of trench warfare between the two parties over the midwestern no-man’s-

land obscures the system’s potential for dynamism. California, after all, flipped from Republican stronghold to Democratic pillar in very little time as a result of demographic and other changes. It’s not absurd for Democrats to hope for a similar pattern in the Southwest (perhaps eventually including Texas) and Virginia (Maryland, after all, voted with the South once upon a time), *or* for the Republicans to hope that suburbanization and deunionization will help their cause in the Midwest.

A glance at Jacobson’s poll charts reminds us what a fleeting thing political success is. Polarization has been a semi-constant theme of the Bush years, but the president who once enjoyed record-high approval levels is, today, flirting with Nixon territory. The political X-factor, as Harold MacMillan famously remarked, is “events, my dear boy, events.” Had Bush responded effectively to the challenges of 9-11, one could imagine the GOP regaining Reaganesque levels of dominance. Instead, his policies have failed and created a moment of opportunity for Democrats—one whose outcome, boring as it is to observe, will depend in part on the quality of their own efforts and in part on events outside their control. Popular (or unpopular) response to contingencies, if sustained, can create not just the appearance of political dominance but the reality as well. **TAP**

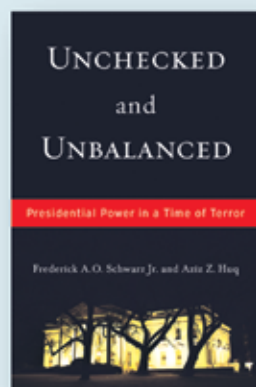
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# WE'LL TEST IT ON THEM

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THE GREAT STARVATION EXPERIMENT: THE HEROIC MEN WHO STARVED SO THAT MILLIONS COULD LIVE BY TODD TUCKER The Free Press, 288 pages, \$26.00

BY CARL ELLIOTT

WHAT BRINGS A MORAL TRANSgression up to the level of a full-blown ethics scandal? In clinical medicine, a handful of scandals have been memorialized in textbooks as case studies of unethical research. The Tuskegee Syphilis Study is the most notorious, but there are many others, such as the study at the Willowbrook State School in New York, where mentally retarded children were intentionally infected with the hepatitis A virus in the early 1960s, or the study at the Jewish Chronic Disease Hospital in Brooklyn, where 22 elderly patients were injected with live cancer cells. The most recent candidate for notoriety took place in 1999 at the University of Pennsylvania, where the 18-year-old Jesse Gelsinger died in a gene-therapy study.

Yet other cases, arguably just as sensational, have barely registered in the public mind. For sheer corporate hubris, it is hard to match the story of Pfizer's Trovan trial in Nigeria, first reported in *The Washington Post* seven years ago and now one of the cases recounted in Sonia Shah's lucid new book, *The Body Hunters*. In 1996, Trovan was an investigational antibiotic that had showed promise against a broad range of infections and could be administered in oral form rather than by injection. When news broke of a deadly meningitis epidemic in Nigeria, Pfizer flew a team of researchers to the industrial city of Kano to conduct a quick trial of Trovan on afflicted children. Pfizer set up shop next to the relief group Doctors Without Borders, which was desperately attempting to treat the meningitis victims, and quickly tested Trovan on 200 children, half of whom received Trovan and half

ceftriaxone, a proven treatment for meningitis. Eleven children died, and many others suffered others suffered meningitis-related symptoms such as deafness, blindness, and seizures.

What is truly shocking about the trial, however, is not the death rate, which was comparable to that found with standard treatments for meningitis, but the revelations that emerged later in press accounts and also in a lawsuit brought against Pfizer by the families of the dead children. According to these allegations, not only did the Pfizer researchers fail to rescue desperately ill children whose condition was clearly deteriorating; they also gave the children in the control arm of the trial an inadequate dose of ceftriaxone. If this is true, the success of Trovan in the trial was won at the expense of the lives of the undertreated children.

Somehow a Nigerian government report investigating the Kano study mysteriously disappeared until it suddenly surfaced last year and was leaked to the press. According to the report, Pfizer never informed the parents, much less the children, that the treatment was part of an experiment. A letter of approval from a Nigerian ethics committee, which Pfizer used to justify its actions, had apparently been concocted and backdated by the company's primary researcher in Kano. In the meantime, the Nigerian families have still not been able to get a hearing in a U.S. court.

As Shah points out, the backdrop to this depressing story is the economics of drug development over the past two decades. The job of proving that a drug is safe and effective for human beings has become, as Shah puts it, "a spectacularly complex, expensive and time-consuming

endeavor.” One big kink in the drug pipeline is human subjects themselves, who are not always eager to test experimental drugs. To launch a single drug, according to CenterWatch, a company has to persuade 4,000 subjects to undergo 161 procedures each in more than 65 separate trials. Drug firms have a much easier time finding willing subjects in the developing world, where medical facilities are crumbling and health-care budgets are miniscule, partly because the alternatives to a trial are so grim. By 2004, according to the Food and Drug Administration, drug companies were launching more than 1,600 new trials a year overseas.

*The Body Hunters* is an engaging and valuable book. As an investigative journalist for The Nation Institute, Shah is an experienced muckraker, and if any business has muck that deserves to be raked, it is the clinical trials industry. In fact, the sheer scale of clinical research in the developing world has become so vast that it is probably too large a topic for a single writer. Shah does an admirable job, yet she may not have quite enough sense of the history and principles of research ethics to tell a comprehensive story about what’s gone wrong. For instance, she tells the Kano story as a failure of informed consent, though this aspect of Pfizer’s conduct is not nearly as outrageous as the deaths of intentionally underdosed children.

Clinical research has always depended on the availability of people whose circumstances were bad enough that medical experiments looked like a good option. Today it is often the poor who are recruited, but during World War II it was conscientious objectors. The Civilian Public Service (CPS) was set up as an alternative to the military for conscientious objectors, many of whom belonged to pacifist denominations such as the Quakers, the Mennonites, and the Brethren. Many CPS jobs involved menial labor, but another option for objectors was to volunteer for medical research, which was conducted at camps all over the United States. Some volunteers gargled pneumonia-infected sputum. Others wore lice-infested underwear in

order to contract typhus. Another group of participants allowed mosquito-filled boxes to be strapped to their bellies so that they would get malaria. And as Todd Tucker documents in his thoroughly absorbing book, *The Great Starvation Experiment*, one extraordinary group at the University of Minnesota was intentionally starved.

The Minnesota study was conducted toward the end of the World War II in order to understand how best to treat mal-

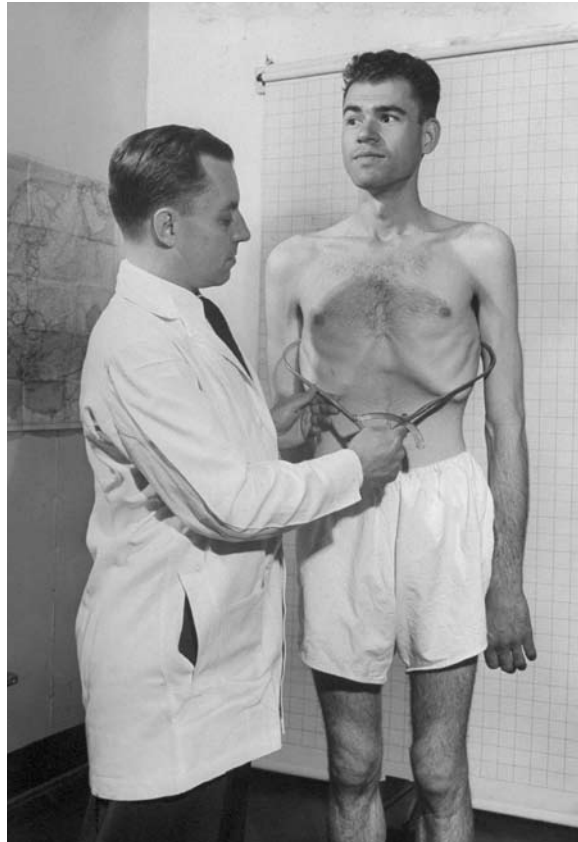
he would be dropped from the trial.

Why are the CPS medical studies not considered scandalous today? It is not as if the CPS subjects were fairly treated. The government did not pay them for their work. As Tucker points out, even German POWs received 80 cents a day. If CPS volunteers were killed or disabled during their service, they got no compensation. Overall, 30 people died in CPS camps, and 1,500 were discharged without compensation for disabilities.

Yet there is also a crucial difference between the starvation experiment and much of today’s medical research on healthy volunteers. The CPS subjects understood the starvation study and were proud to take part. In fact, the rigors of the study were precisely what gave the experiment such an appeal. The stigma of being a conscientious objector was the accusation of cowardice, and according to some CPS subjects, the starvation study was a way to demonstrate bravery without picking up a gun. Today, however, the drug industry conducts most healthy volunteer studies on participants who have no interest in the aims of the studies and no confidence in the pharmaceutical companies. Yet these subjects enroll in studies simply because they desperately

need money—or, in the case of sick subjects, because they desperately need medical care. The surprising thing is that such recruitment tactics are now seen as standard operating practice, rather than as case studies in exploitation. **TAP**

*Carl Elliott is a professor at the University of Minnesota’s Center for Bioethics and the author or editor of six books, including Better Than Well: American Medicine Meets the American Dream (Norton).*



**They Fought the Germs:** World War II conscientious objectors knew the risks when they volunteered for medical experiments.

nourished citizens in the newly liberated countries of Eastern Europe. The experiment’s chief scientist, Ancel Keys, placed 36 young men on semi-starvation rations for six months. The subjects emerged looking like concentration-camp victims, but the drama in Tucker’s book comes from the psychological effects of starvation: the slow narrowing of desire, the obsession with food, the disturbing dreams of cannibalism. One subject wound up “accidentally” chopping off his fingers with an ax so that



# Don't Count on Shareholders

BY ROBERT B. REICH

**A**N ACQUAINTANCE OF MINE SITS ON THE BOARD OF A major company that just agreed to pay its CEO close to \$10 million this year, including deferred compensation and stock options. I asked him how he and his board colleagues could possibly justify that kind of money. “No

choice,” he said. “That’s what our competition is paying. It’s the going rate.” As Congress struggles to raise the minimum wage to \$7.25 an hour, the going rate of CEO pay is now \$5,000 an hour.

Polls show most Americans think this is obscene. But how to rein in CEO pay? A growing consensus believes the best way is to give shareholders more voice. New Securities and Exchange Commission rules require companies to inform shareholders in greater detail what their companies are paying top executives. In recent months, shareholder activists have submitted proposals to 60 companies seeking input on CEO pay. House Democrats are now working on legislation that would give shareholders the right to have more say over pay.

But the growing consensus is wrong: Shareholders won’t constrain the growth of CEO pay, because most shareholders don’t care about it. The vast majority own their shares through mutual funds and pension funds, and don’t even know which companies they’re invested in at any given moment. Their only concern is maximizing the return on their total portfolios. They keep the pressure on fund managers to do this by moving their savings from funds that underperform to those that show better overall results.

Fund managers, for their part, don’t care much about CEO pay, either. They’re looking for companies whose share prices are rising, and they push firms to get their prices up by shifting capital

out of those whose prices are lagging into those that show more promise.

Presumably, shareholders and fund managers would want to constrain CEO pay if it hampered company performance, but it hasn’t. While CEO pay has soared over the last 25 years, share prices have soared, too. Between 1980 and 2003, the average value of America’s 500 largest companies rose by a factor of six, adjusted for inflation. What happened to average CEO pay in those companies? It rose roughly sixfold. Shareholders have no reason to complain. They don’t—and they won’t.

Depending on shareholders to rein in CEO pay is like relying on gamblers to rein in the owners of Las Vegas casinos. Just look at Britain. Since 2003, changes in British securities law have given investors there more say over what British CEOs are paid. Nonetheless, executive pay in Britain has continued to skyrocket, and now just about matches that of American CEOs. Companies listed on the London Stock Exchange have done sufficiently well that British investors don’t care what CEOs are paid.

The real scandal of CEO pay has almost nothing to do with shareholders. It has to do with what’s happened to

the pay of most other workers as CEO pay has soared. Shareholder returns have kept up with CEO pay, but median wages have not. In 1980, the CEO of a major company took home about 40 times what the median worker earned; by 1990, that CEO’s pay was about 100 times the median worker’s; in 2006, it was close to 300 times what the median worker earned. (Last year, Wal-Mart’s Lee Scott Jr. earned 900 times the pay of the average Wal-Mart worker.)

CEO pay is part of a much larger problem: the growing portion of the nation’s income that’s going to a small number of people at the top. The pay packages of many denizens of Wall Street are even more outrageous than CEO pay—last year reaching \$40 million for top traders and more than a billion dollars for top hedge-fund managers. The new stars of Wall Street are private equity funds that are buying public companies back from shareholders and raking in 20 percent to 25 percent annual returns for their private investors—mostly wealthy individuals with yearly incomes already in the stratosphere.

Not since the robber-baron era have income and wealth been as concentrated as they are today. This doesn’t threaten shareholders; after all, most shares are held by the wealthy. It threatens democracy, as the wealthy use their fortunes to bankroll politicians who tilt public policies in the direction of the wealthy—by, say, reducing their taxes and cutting public services for everyone else. It also

threatens our economy, as more and more investment decisions are made by fewer and fewer people, and as the middle class loses its capacity to pay for the goods and services the economy produces.

The answer is not to grant more rights to shareholders. It’s to enact a far more progressive income tax, including a sharply higher marginal rate on yearly incomes above, say, a measly million. **TAP**

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